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PREPARING FOR 2014-20: PROGRAMMING, CONCENTRATION AND PERFORMANCE



IQ-Net Thematic Paper 32(2)



Carlos Mendez, Stefan Kah and John Bachtler

8 July 2013

European Policies Research Centre
University of Strathclyde
40 George Street
Glasgow G1 1QE
United Kingdom

Tel: +44 (0) 141 548 3672

Fax: +44 (0) 141 548 4898

Email: eprc@strath.ac.uk

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PREFACE

The research for this paper was undertaken by EPRC in preparation for the 34th IQ-Net meeting held in Laško, Slovenia on 12-14 June 2013. The paper was written by Carlos Mendez, Stefan Kah and John Bachtler.

The paper is the product of desk research and fieldwork visits during Spring 2013 to national and regional authorities in EU Member States (notably partners in the IQ-Net Consortium). The field research team comprised:

- | | |
|--------------------------------------|-----------------------------------|
| • Stefan Kah (Austria, Slovenia) | • Dr Sara Davies (Germany) |
| • Dr Arno Van der Zwet (Belgium) | • Victoria Chorafa (Greece) |
| • Dr Marie Feřtřov (Czech Republic) | • Dr Martin Ferry (Poland) |
| • Prof Henrik Halkier (Denmark) | • Carlos Mendez (Portugal, Spain) |
| • Kaisa Granqvist (Finland) | • Rona Michie (United Kingdom) |
| • Frederike Gross (France) | |

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The partners in the IQ-Net network are as follows:

Austria

- State Government of Niedersterreich (Lower Austria), Economic and Tourism Department
- State Government of Steiermark (Styria), Department for Economy, Tourism and Sport

Belgium

- Enterprise Flanders Agency

Czech Republic

- Ministry of Regional Development

Denmark

- Danish Business Authority

Finland

- Alliance of Lnsi-Suomi (Western Finland) and the Ministry of Employment and the Economy

France

- Délégation interministérielle à l'aménagement du territoire et à l'attractivité régionale (DATAR, Interministerial Delegation of Territorial Development and Regional Attractiveness)

Germany

- Nordrhein-Westfalen (North Rhine-Westphalia), Ministry for Business, Energy, Industry, SMEs and the Craft Sector, EU Affairs Unit
- Sachsen-Anhalt (Saxony-Anhalt), Ministry of Finance

Greece

- Management Organisation Unit of Development Programmes S.A.

Italy

- Ministry of Economic Development and Promuovi Italia SpA

Poland

- Śląskie Voivodeship (Marshal's Office of Silesia)

Portugal

- Financial Institute for Regional Development (IFDR)

Spain

- País Vasco (Basque Country), Provincial Council of Bizkaia, Department of Economy and Finance

Slovenia

- Ministry of Economic Development and Technology, EU Cohesion Policy Directorate

United Kingdom

- Department of Communities and Local Government
- Scottish Government
- Welsh European Funding Office

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Disclaimer

It should be noted that the content and conclusions of this paper do not necessarily represent the views of individual members of the IQ-Net Consortium.

PREPARING FOR 2014-20: PROGRAMMING, CONCENTRATION AND PERFORMANCE

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PREPARING FOR 2014-20: PROGRAMMING, CONCENTRATION AND PERFORMANCE

EXECUTIVE SUMMARY

With the European Council Agreement on the 2014-20 Multiannual Financial Framework in February 2013 and the launch of inter-institutional negotiations with the European Parliament on the budget and regulatory framework for Cohesion policy, attention is now firmly focused on strategic planning for European Structural and Investment Funds in 2014-20. In the Member States, national and regional authorities have been developing their new Partnership Agreements (PAs) and Operational Programmes (OPs) and in some cases discussing draft versions with the European Commission. On the basis of the information available in April/May 2013, the aim of this paper is to undertake a preliminary assessment of the preparation, content and delivery implications of the PAs and OPs for 2014-20.

The development and drafting of the PAs has progressed considerably by the end of the first quarter of 2013, although complete drafts are only available in a limited number of countries. The Commission expects informal submission of complete PAs before the summer and formal submission during September 2013. It is not clear whether these targets will be achieved, especially in the absence of an agreement on the EU Budget and because the regulatory package is unlikely to be approved till October 2013. As a consequence, most IQ-Net countries have not yet made formal decisions on the financial allocations to programmes, the division of funding across Funds, or on allocations to spending priorities.

Despite the regulatory and financial uncertainty, the PAs are perceived to be supporting the strategic alignment of the ESI Funds with Europe 2020 themes, although the main drivers are the regulatory obligations on thematic concentration and ring-fencing; and are encouraging a more coordinated approach to programming involving all of the ESI Funds, notwithstanding the specificities of the different Funds objectives and governance arrangements. Radical changes in the programme architecture are expected in several Member States involving a considerable reduction in the number of programmes (notably where regional programmes are being replaced with national programmes) and the use of multi-fund programmes in accordance with the new options available for 2014-20. However, experiences with multi-fund programming in the 1990s and 2000s were not always positive as the programmes were complex and difficult to manage, and it remains to be seen how such challenges will be addressed in these countries.

An important development since the end of 2012 is the launch of the informal dialogue between the Member States and the Commission, kick-started by the publication of Commission Position Papers on the future Partnership Agreements and programmes, subsequent bilateral meetings, and multi-lateral meetings on EU guidance documents. While the Position Papers have helped to provide more clarity on the European Commission's position and supported the process of domestic debate and programming, there have been procedural and content disagreements. Procedurally, the legal status of the Position Papers has been questioned, with several Member States arguing that they should only represent 'soft guidance' rather than binding reference documents or recommendations. On content, country-specific concerns have centred on the Commission's diagnosis of development challenges, the treatment of the territorial dimension, the proposed thematic concentration and various governance recommendations which are seen to intrude into domestic competences. Another

concern is that a formalistic and rigid approach to drafting and presenting the PA is being encouraged through the template model issued by the Commission, which hinders the ability to present a narrative of the strategy.

The drafting of the Operational Programmes is at different stages across IQ-Net countries and regions. Some countries do not yet have drafts of programmes, the focus till now being on the Partnership Agreements. The socio-economic analysis and SWOT analysis seem to be well advanced in many cases although progress with strategic priorities and indicators is more variable. Again, the lack of agreement on the MFF and Cohesion policy regulations is partly to blame, although there are also domestic strategies that need to be finalised (notably relating to smart specialisation) to inform the programmes and comply with ex-ante conditionality requirements. As a result, the adoption of the new round of programmes by the Commission is likely to be even more delayed than in the previous period. This could have important consequences for the operation of regional development policies across the EU, particularly in countries and regions receiving substantial amounts of EU funding and facing strong public investment constraints.

In formulating the next generation of programmes, the Commission is requiring a stronger emphasis on the intervention logic of programmes, indicators and target-setting, particularly thorough the recently issued OP template model. The clarity of objectives appears to be given more serious attention by IQ-Net authorities than in previous periods although there are mixed views about the impact on the approach to programming and substantive content of programmes. What is clear is that the role and importance of indicators and targets will rise in 2014-20 across all EU countries and regions, particularly given the financial implications of the new performance reserve. This is reflected in the increased attention given to indicators in the preparatory work rather than as an after-thought in the final stages of programming, although none of programme authorities surveyed had set targets at this stage.

Closely associated with the results agenda, the programmes are required to concentrate the majority of funding on a limited number of thematic objectives relating to Europe 2020. For many IQ-Net countries and regions, this is not perceived to pose a challenge, particularly where funding is already concentrated on similar themes or where funding allocations are relatively low. However, various IQ-Net programme authorities are planning substantial shifts in spending towards R&I, SME competitiveness and especially the low-carbon economy objective or to new types of interventions within these objectives. In some cases, this is likely to lead to important changes in the profile of beneficiaries and potentially to challenges for these beneficiaries in adapting to the EU's administrative obligations.

Changes and adaptation to programme management and implementation structures will be needed across all EU countries to deal with new regulatory obligations. Major changes in the allocation of Cohesion policy competences across different levels of governance – involving either centralisation or decentralisation - are only expected in a small number of cases in response to shifts in the policy architecture and territorial governance. A more common trend across IQ-Net countries and regions is a rationalisation in the number of intermediate and implementing bodies, although so far there is no indication of substantial changes to contractual relations with these bodies with respect to performance. This may, however change, once the drafting of programmes is finalised and the new performance frameworks, indicators and targets are set.

PREPARING FOR 2014-20: PROGRAMMING, CONCENTRATION AND PERFORMANCE

1. INTRODUCTION

The reform of Cohesion policy for 2014-20 is in a critical period. The inter-institutional negotiations on the EU's 2014-20 budget and regulatory package for Cohesion policy are reaching their conclusion, and the strategic planning for the next round of Structural and Cohesion Fund programmes is in full swing. Since late 2012, the Member States and European Commission have been engaged in informal dialogue on the programming for 2014-20 on the basis of Commission position papers transmitted to each Member State. Throughout the EU, the Member States and regions are developing the framework and the basic planning documents (Partnership Agreements and Operational Programmes) for the next generation of programmes to be implemented in 2014-20. Whether the Commission's ambitious objectives for the next programme period are met depends not just on the conclusion of the regulatory negotiations but how the new obligations for more strategic coherence, greater thematic concentration and better performance are interpreted at programme level.

Against this background, the following paper examines the current state-of-play with the preparations for the 2014-20 period across the EU and specifically in IQ-Net partner countries and regions. It draws on a mix of desk research and interviews with government officials working on the implementation of Structural Funds programmes in the 14 Member States where managing authorities and programme secretariats are partners in IQ-Net. The surveyed programmes collectively account for almost one-third of Cohesion policy spending and encompass a mix of Convergence, Regional Competitiveness & Employment, and Phasing-In/Out regions. The desk-based research has focused on EU-level and programme documents. Interviews were conducted with managing authorities, programme secretariats and national coordination bodies.

The paper begins with an update of the 2014-20 financial and legislative framework, notably the European Council budget agreement and the implications for Cohesion policy, as well as progress with the negotiation of the Cohesion policy legislative framework. The paper then discusses the progress with programming, reviewing the development of Partnership Agreements and Operational Programmes. It also explores the strategic content of these documents with respect to thematic concentration, the territorial dimension and financial instruments. Implementation arrangements – and specifically performance management – are also discussed, focusing on programme management, monitoring committees and simplified and results-oriented financial management. Conclusions draw together the main points to emerge and annexes provide country-specific information on the progress of programming.

2. AN UPDATE ON THE 2014-20 FINANCIAL & LEGISLATIVE FRAMEWORK

2.1 The European Council Budget agreement: implications for Cohesion policy

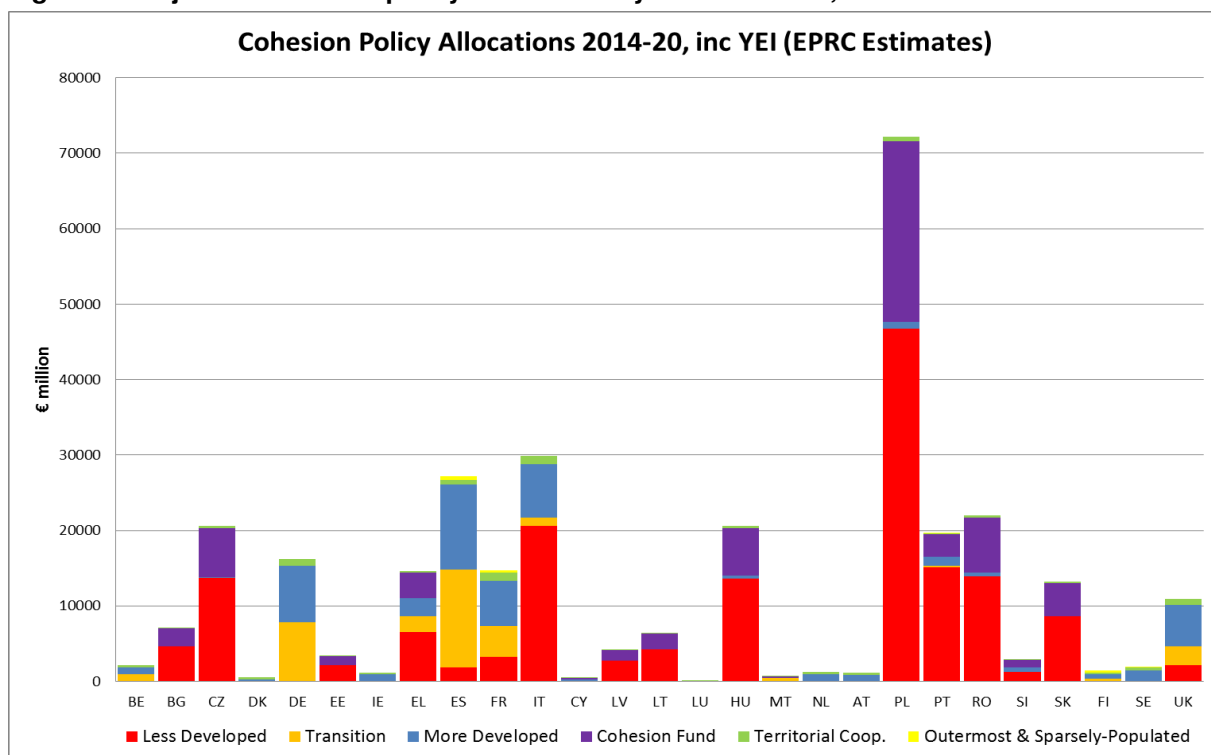
The European Council on 7-8 February 2013 agreed a Multiannual Financial Framework (MFF) containing some significant changes in EU spending, including a new methodology for allocating Cohesion policy funding. The upper limit of commitments was set at 1 percent of EU GNI (€959 billion), with payments expected to be 0.95 percent of EU GNI (€908 billion). These are reductions compared to the current limits in 2007-13 – 1.12 percent (€994) and 1.06 percent (€942 billion) respectively – of around three percent in real terms. Cohesion policy is projected as declining by 8.4 percent, bringing its share to a third of the overall budget on a par with the CAP.

The next stage in the MFF negotiations is to reach an Inter-Institutional Agreement with the European Parliament. The Parliament's formal mandate to negotiate was approved in a resolution on 13 March 2013 which rejected the 8 February European Council conclusions and called for more flexibility and efficiency within the budget. The negotiations should result in a regulation laying down the MFF, for which parliament's consent is required, as well as an inter-institutional agreement between Parliament, the Council and the Commission before the summer of 2013.

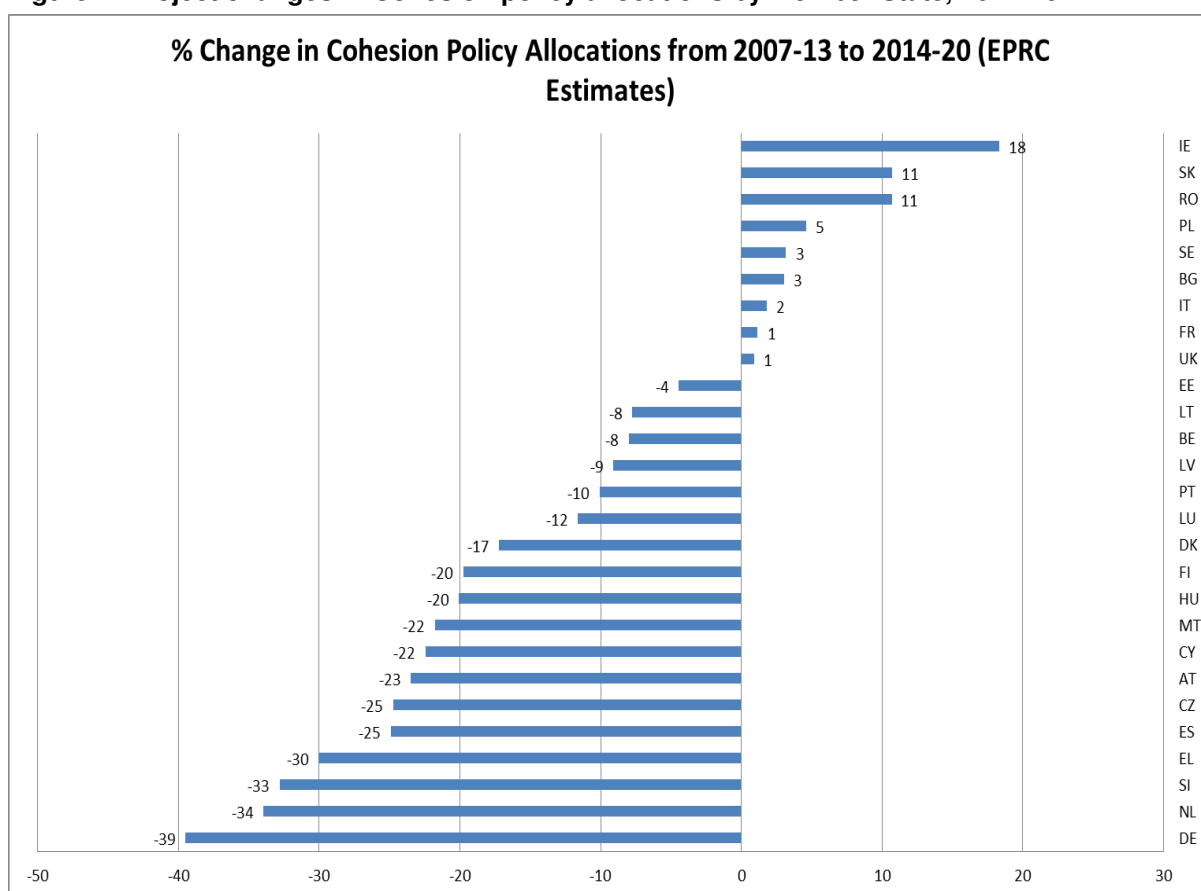
Although the inter-institutional agreement with the European Parliament has not yet been agreed, an assessment of **the implications of the European Council deal for the allocation of Structural and Cohesion Funds to the Member States** has been provided in a recent EPRC Policy Briefing.¹ This reveals elements of continuity in the allocations – Poland remains the single largest beneficiary of the funds – but also elements of change (see Figure 1): fewer countries have LDR status in their entirety (only the three Baltic states and Bulgaria); some countries see significant reductions in LDR coverage and associated allocations, notably Germany, Spain and Greece; and some benefit from the new transitional category, even where the regions concerned did not previously have Convergence status, notably Belgium, France and the United Kingdom.

The implications of these changes for the levels of funding varies widely between countries, with some seeing increases in relation to current allocations, but others substantial reductions (see Figure 2). Reflecting the overall reduction in the Cohesion policy budget, most countries would see a reduction in their allocations – 11 countries look set to lose more than a fifth of current allocations. On the other hand, nine countries appear likely to gain, although some of these gains are modest.

¹ Wishlade F (2013) *Cohesion Policy 2014-20: National Allocations - Who are the Winners and Losers from the 7-8 February European Council?* EPRC Policy Briefing, 25 February 2013, University of Strathclyde, Glasgow. Available at: http://www.eprc.strath.ac.uk/news/COHESION_POLICY_ALLOCATIONS_2014-20_EPRC_Policy_Briefing_Feb_2013.pdf (accessed 6 June 2013).

Figure 1: Projected Cohesion policy allocations by Member State, 2014-20

Source: Wishlade (2013) *op. cit.*

Figure 2: Project changes in Cohesion policy allocations by Member State, 2014-20

Source: Wishlade (2013) *op. cit.*

2.2 Progress with the negotiation of the Cohesion policy legislative framework

In parallel with the negotiations on the Multiannual Financial Framework, **further progress has been made on the negotiation of the Cohesion policy regulations, associated secondary legislation and various guidance documents to inform programming.** Nevertheless, the adoption of the legislative framework is behind schedule owing to delays in agreeing the EU budget and the on-going inter-institutional negotiations on the Cohesion policy regulations. The latest reports by DG REGIO officials to the European Parliament suggest that the legislative package will not be adopted till October 2013 at the earliest. This is likely to lead to delays in adoption of Partnership Agreements and programmes, beyond the target of the end of 2013. Discussions with European Commission staff suggest that **the revised target is to adopt Partnership Agreements by end of the year and all programmes by European elections in 2014** (see Table 1).

Table 1: DG Regional Policy management objectives for the 2014-20 period

Legislative decisions and guidance for 2014-20		2013 Targets
Inter-institutional legislation	Adoption of EU 2014-20 Legislative Package	By mid-2013
	Adoption of Delegated and Implementing Acts	By 6 months after adoption of the Regulations
Operational decisions	Adoption of Partnership Agreements and Programmes	100% by end of 2013
Guidance	Guidance notes for the 2014-20 period	By early 2013

Source: DG Regional Policy (2012) *REGIO Management Plan 2013*, 21 December 2012, Brussels.

An important development in late 2012 is **the launch of the inter-institutional negotiations between the Council and European Parliament.** An intensive programme of trilogue meetings was organised but there is still some way to go to finalise the Regulations. By the end of May 2013, around 40 trilogues were held on the common provisions Regulation (CPR) leading to provisional agreement on five out of eighteen CPR blocks and a further four were close to agreement: Performance Framework, Ex-ante conditionalities, Technical Assistance, Eligibility, Monitoring and Evaluation, Management and Control, Information and Communication, Major Projects and Revenue Generating Operations and PPPs. Lots of groundwork has been done on the remaining CPR blocks, but there are evidently many issues still to agree. As noted, it is unlikely that the legislative package will be adopted till October 2013 at the earliest.

Aside from the primary legislation, **there is secondary legislation to prepare for 2014-20.** The Regulations foresee a wide range of Delegated and Implementing Acts relating to various programming and implementation issues. An 'Expert Group on the Delegated and Implementing Acts for the European Structural and Investment Funds' has been meeting on a monthly basis since the start of 2013 to assist and advise the Commission on the Delegated Acts and to provide informal advice on the preparation of the Implementing Acts before formal consideration at Council committee level. There have been contentious debates on the content of the Acts as well as procedural/competence disputes about which type of act should be used. To take one example, the Commission considers that an Implementing Act should be adopted for 'Innovative Actions', but the Council has argued for the use of a Delegated Act.

Finally, **the Commission has prepared various guidance documents** to assist the Member States and regions in the programming for 2014-20. Of particular importance in the first two quarters of 2013 are the templates on the Partnership Agreements and programmes, along with guidance on ex-ante conditionalities, territorial instruments and the performance framework (see Box 1).

Box 1: DG Regional Policy Guidance on 2014-20 programming

2012

1. Strategic planning and programming
2. Summary of provision on ring-fencing funds
4. Draft PC template
- 5a. Draft OP template
- 5b. Examples of operational programmes and priority axes
- 5c. ESF OP examples
6. Categories of intervention
7. Common Strategic Framework
8. Performance Framework Reserve
9. Simplification table
10. Ex-ante conditionality
11. E-Cohesion
12. Financial Instruments
13. Policy Based Guarantees (PBGs)
14. Reporting deadlines
15. Art. 54: flat rates
19. Common Strategic Framework
20. Innovative Actions in Urban Areas
21. Area and population for CLLD
22. Urban development platform

2013

1. Template and guidance for the partnership agreement
2. Template and guidance for the operational programmes
3. Fiche on the draft model for the operational programmes under the investment for growth and jobs goal
4. Guidance on ex-ante conditionalities
5. Guidance fiche on Integrated Territorial Investment
6. Guidance on CLLD
7. Guidance fiche on performance framework review and reserve

Note: all guidance prepared before the formal adoption of the Regulations is in 'draft' form

3. STRATEGIC PROGRAMMING

3.1 Partnership Agreements

3.1.1 *State-of-play*

Considerable progress has been made in the development of the Partnership Agreements (PAs) over the last six months. Extensive inter-governmental consultation and coordination within and across different levels of government has been taking place in all Member States, and public consultations have been organised or finalised. Ex-ante evaluations of the PA have been launched in some countries, where governments have chosen to do this at both PA and programme level (namely, Germany, Poland, Portugal, Spain, United Kingdom). The other option is to include a summary of the OP ex-ante evaluations in the programmes, which could affect the sequencing and timing of the PA drafting if, for instance, there are delays in the programme ex-ante evaluations.

Progress with the drafting the PAs is variable, and redrafting has been necessary in many cases to take account of new Commission guidance. Full drafts of the PA have been developed in a number of countries (e.g. Austria, Denmark, Finland, Slovenia), most of which are planning to submit final versions to the Commission before or during August (Denmark, Germany, Slovenia), although there is uncertainty due to the lack of an EU inter-institutional agreement on the MFF and regulations. In most IQ-Net countries, the aim is to submit the PA to the Commission after the summer or late 2013 (e.g. Belgium, Czech Republic, Finland, France, Poland, Portugal, Spain, United Kingdom). Nevertheless, informal dialogue with the Commission on draft PAs and key sections is taking place bilaterally in all Member States. For its part, the Commission expects informal submission of 'complete' PAs by the end of June and formal submission during September. A summary of progress with the development of the PAs in each IQ-Net country is provided in Annex 1.

3.1.1 *Programme architecture*

There are elements of both **continuity and change in the programme architecture for 2014-20** across IQ-Net countries and regions in terms of programme rationalisation (the number of programmes and associated balance between national and regional programmes) and integration (the use of mono-fund or multi-fund OPs) (see **Error! Reference source not found.**).

Table 2: Continuity and change in the programme architecture (ERDF, ESF, CF)

		Rationalisation	
		Broadly unchanged number of OPs	Significant reduction in number of OPs
Integration	Maintaining Mono-Fund OPs	Denmark, Germany, Greece, Italy, Spain, Vlaanderen, Sweden, Wales	Austria, England, Scotland
	Introducing Multi-Fund OPs	Bulgaria, France, Poland, Portugal	Czech Republic, Estonia, Finland, Hungary, Latvia, Lithuania, Slovenia

A significant reduction in the number of programmes can be seen in Austria, the Czech Republic, England, Finland, Scotland and Slovenia. In Slovenia, the plan is to have a single national programme for 2014-20 to replace the three existing national programmes. In Finland, the current five programmes (four ERDF ROPs and one ESF NOP) will be reduced to just one national programme jointly funded by the ERDF and ESF. In Austria, there will be a joint *Länder* ERDF programme, with the current nine *Land*-level managing authorities continuing to play an important role in programme delivery. The seven regional programmes in the Czech Republic will be replaced with one integrated regional programme managed by the Ministry for Regional Development. The proposed 2014-20 model in England includes four single-fund national OPs within a single National Growth Programme (currently there are ten sub-national ERDF OPs in England, and one for each of the other Funds). Rationalisation is also evident in Scotland, where the currently separate ERDF and ESF OPs for Lowlands and Uplands Scotland and the Highlands and Islands (four OPs in total) are likely to be replaced with one Scotland-wide OP per Fund. Despite the centralisation in the programme architecture in all three countries, managing authorities argue that a strong regional and/or local dimension will remain in terms of the design, management and implementation of the strategies.

Elsewhere, the **number of programmes is likely to remain broadly unchanged** in most IQ-Net countries/regions (Denmark, France, Germany, Poland, Portugal, Spain - País Vasco), Vlaanderen, Wales), notwithstanding a reduction in the number of national programmes in some cases (Poland, Spain) or the introduction of integrated programmes combining ERDF and ESF (France, Greece, Poland, Portugal). The continuation of the existing and well-embedded regionalised structure of programmes in most of these countries militates against a substantial change in the number of programmes, especially in countries with federal/regionalised political systems where regional development competences are devolved; while in Denmark the existing programmes at national level are already restricted to just two NOPs for the ERDF and ESF, a structure which is considered to remain appropriate. As noted, national programmes will be eliminated or reduced in Germany and Spain respectively, but this will not have a major impact on the overall number of programmes which are predominantly regional programmes.

Another distinctive trend for 2014-20 is the **introduction of multi-fund programmes**, responding to the new voluntary provisions in the draft Regulations (Czech Republic, Finland, France, Poland,

Portugal, Slovenia). A single, jointly funded *national programme* is being developed in Slovenia and in Finland combining the ERDF and ESF (as well as the CF in Slovenia). In several other countries, integrated *regional programmes* are planned or being considered (France, Greece, Poland). In Poland, all 16 regional programmes will integrate the ERDF and ESF. France's regions are keen to develop joint ERDF-ESF regional programmes, although a decision has not yet been formally taken. However, the current approach to a national Technical Assistance programme will be maintained, which will be used to provide technical support in a coordinated way.

A final group envisage using the multi-funding option for both *national and regional programmes* (Czech Republic, Portugal). In Portugal, provisions have been made for multi-fund NOPs and ROPs for the mainland regions combining the ERDF and ESF (in ROPs) and potentially also the Cohesion Fund (NOPs). In the Czech Republic, a multi-fund ERDF-ESF approach is planned for the single ROP remaining (for Prague), and for the NOP Research, development and education. The main perceived benefits from the use of multi-fund programmes are more effective coordination and integration of territorial development investments (Finland, Greece, Poland, Slovenia).

For the remaining IQ-Net countries/regions, **the existing mono-fund approach will be continued** (Austria, Denmark, Germany, Spain, United Kingdom, Vlaanderen). In Denmark, there is widespread satisfaction with the current architecture of separate ERDF and ESF programmes, and only the smallest of the six Regional Growth Fora, for the small Baltic island of Bornholm, has briefly suggested that a multi-fund OP could have administrative advantages. Multi-fund OPs will not be used in the United Kingdom, but the four England-wide single-fund OPs will contribute to an overarching national 'Growth Programme' and, at the local level, local economic partnerships (LEPs) will receive combined funding allocations made up of different Structural Funds. The main reasons for maintaining mono-fund OPs in Spain is that a shift in the programme architecture would entail additional administrative efforts and potential complications in financial management. Further, other instruments can be used within programmes – such as CLLD or ITIs – to advance the integration agenda (Spain, United Kingdom). There are also domestic political considerations that may explain the choice to maintain mono-fund programmes. In particular, the sectoral structure of public administration and the dispersal of regional policy management competences across ministries can lead to resistance against efforts to integrate programming across different Funds.

In summary, therefore, four groups of countries/regions can be identified in terms of continuity or change (**Error! Reference source not found.**). The most significant changes in the programme architecture – including both a reduction in the number of OPs and the introduction of multi-fund programmes – is planned in Austria, the Czech Republic, Finland and Slovenia. This contrast with the more limited change in Denmark, Germany, Spain, Vlaanderen and Wales, where the number of programmes will remain largely unchanged and mono-fund programmes will be continued. In the final two groups, there are changes in one of the two dimensions of the programme architecture, either a significant reduction in the number of programmes (England, Scotland) or the use of multi-fund programmes (France, Poland and Portugal).

3.1.2 Financial allocations and criteria

Following agreement on the overall programme architecture, a key decision for the Member States is the distribution of funding across Funds, programmes and regions. Based on the European Council agreement on the budget, **the Member States have global figures for the proposed financial allocation by Objective / Category of Region, but most have not taken decisions on the**

distribution to regions or programmes (Denmark, France, Greece, Portugal, Spain). This is primarily due to the absence of final EU-level agreement on the budget with the European Parliament, which in many cases is necessary to kick-start internal negotiations on the distribution of funds. Further, none of the IQ-Net authorities at national or regional level had yet received Commission proposals for allocating funds between programmes. Nevertheless, programme authorities have made calculations on the possible allocation of funds between programmes and regions and in some cases indicative figures have been proposed internally (Czech Republic, Germany, Slovenia) or publicly (Poland, United Kingdom).

Among IQ-Net countries, **the most in-depth information available on current thinking and plans is on the cases of Austria, Poland and the United Kingdom** (see Annex 2). A common goal informing the plans in these countries is to ensure an equitable distribution of funding across regions that minimises abrupt changes relative to the previous period. There are also concerns about potential differences in the goals of domestic authorities and the Commission on the allocation of funding, particularly given the political sensitivities involved in funding redistribution across different levels of government.

In most other IQ-Net countries there is less clarity on the thinking underpinning future funding allocations to regions or programmes beyond the general criteria that are likely to inform the decisions. For instance, in the Czech Republic the key criteria will include: current programmes allocations; ability to use funds by particular programmes; absorption capacity; Europe 2020 parameters and the principle of thematic concentration. In Greece, national authorities suggest that the breakdown on regional/national programme allocations has not been decided but the key criteria for deciding on allocations will be: the change in funding; the thematic concentration and the allocation of resources between the investment priorities; and the horizontally implemented projects; and the integrated character of the interventions.

Aside from the distribution of funding across regions and programmes, **an important issue for 2014-20 is the division of funds between the ERDF and ESF**. The Commission is seeking to increase the share of funding allocated to the ESF in the new period. Achieving this goal will, however, depend on the on-going negotiations with the European Parliament on the legislative package, implying uncertainty on how to proceed with the programming of the two Funds. In France, it is assumed that the current balance of ERDF/ESF (54/46) will be maintained. By contrast, the German authorities are working on the assumption that there will be a 50/50 division overall between the ERDF and ESF. This issue is particularly important in the current Convergence and Phasing-out regions, where overall division is currently 70/30 in favour of the ERDF but would shift to 60/40 in Transition Regions in 2014-20. There are concerns over the economic development implications of a strong shift in funding towards the ESF, particularly because it is difficult to see what more the ESF could fund in practice in a context of falling unemployment; and the macro-region of the eastern German *Länder* is experiencing some of the most significant demographic issues in the EU, which is generally seen to be due to a lack of appropriate job opportunities and thus to require a broad-based policy response that includes, not only investment in education/training and other ESF-type interventions, but also ERDF-type support (e.g. RTDI, infrastructure, business support) and also broader measures (e.g. to encourage appropriate immigration).

3.1.3 European Commission guidance and dialogue

(i) Reactions to the templates

To support the drafting of the PAs, the Commission issued a **draft template and guidelines on the PA content** in January 2013. Modifications were made to take on board Member State comments and a second draft was presented and discussed in March 2013. The guidance is structured according to PA objectives, implementation issues and the integrated approach to territorial development (see Box 2), based on elements set out in Article 14 of the Common Provisions Regulation.

The reception of this document has been mixed. On the positive side, a number of countries consider that the template and guidance provides **a useful tool for drafting the PA** (Denmark, Czech Republic, France, Slovenia, Spain, Vlaanderen). The guidance is considered to be clear (Slovenia, Vlaanderen) and in line with the Regulations (France). Accordingly, it helps to structure the drafting of the PA (Austria, Finland), and gives some certainty regarding Commission expectations (Austria).

The main criticisms are four-fold. First, it is argued that **the template and guidance encourages a formalistic approach and format to the PA** based on disaggregated tables, which hinders the ability to present a narrative of the strategy for public communication and dialogue with stakeholders (Czech Republic, France, Portugal, Scotland). Along with complaints about the template being too long and making too many demands (Czech Republic, Germany), there is a concern that the approach is reinforcing a historical trend towards placing more priority on compliance tasks than on policy content (Austria). Several interviewees surmise that this IT-driven logic is designed to facilitate input of information on the EU's SFC system and so that sections of the PAs can be transmitted to different parts of the Commission for inter-service 'admissibility' checks. The implication is that the Commission's procedures for treating the PAs and OPs will be more formal and more clearly defined than in the past (Germany).

Second and related, there are concerns about the **Commission exceeding its decision-making competences**. In particular, there is uncertainty about the implications of disagreements with the Commission over those parts of PAs that are not subject to a formal Commission decision and whether this would hold up approval of those parts that are subject to a Commission decision (Greece). Associated with this, there is disagreement about the role of the Commission's Position Papers which, as noted earlier, are presented in the PA template as a compulsory requirement to take account in programming rather than guidance documents to facilitate the informal dialogue.

Third, the **process of distinguishing OP content from PA content has been challenging where the two documents are largely based on the same material**. Wales notes that there is duplication with the OP template requirements, as the Welsh PA chapter will rely heavily on the content of the final OPs. In the case of Finland, there will be only one national programme for ERDF and ESF, which means that there will be significant overlaps in the Partnership Agreements and the programme.

Fourth, there is **a lack of clarity on the PA word limit or guidance on the length of different sections**, which contrasts with the heavily prescriptive approach in the OP template guidance where strict limits are pre-defined in the template (Austria, Finland, Wales).

Finally, **technical clarifications are needed on methodological provisions** in the template regarding climate change and additionality (Greece). There is uncertainty about the scope of thematic objectives that can be used for calculating the total indicative amount of EU support for the climate change objectives, and concerns that the associated Implementing Act for this methodology may not be approved before the submission of PAs. As regards additionality, inconsistency was noted between the guidance and the wording of the Regulations, namely that the verification of ex-ante additionality should only concern the less developed category of regions; the guidance should therefore clarify that transition regions are excluded from the additionality provisions.

Box 2: Draft template and guidelines on the content of the Partnership Agreement

1. Arrangements to ensure alignment with the Europe 2020 strategy as well as the fund specific missions pursuant to their treaty-based objectives

1.1 An analysis of disparities, development needs, and growth potentials with reference to the thematic objectives and the territorial challenges and taking account of the national reform programme and relevant country-specific and Council recommendations

1.2 A summary of the ex-ante evaluations of the programmes or key findings of the ex-ante evaluations of the Partnership Agreement

1.3 Selected thematic objectives, and for each of the selected thematic objectives a summary of the main results expected for each of the ESI Funds

1.4 The indicative allocation of support by the Union by thematic objective at national level for each of the ESI Funds, as well as the total indicative amount of support foreseen for climate change objectives

1.5 The application of horizontal principles and policy objectives for the implementation of the ESI Funds

1.6 The list of the programmes under the ERDF, the ESF, the Cohesion Fund, except those under the European territorial cooperation goal, and of the programmes of the EAFRD and the EMFF, with the respective indicative allocations by ESI Fund and by year

2. Arrangements to ensure effective implementation

2.1 The arrangements, in line with the institutional framework of the Member States, that ensure coordination between the ESI Funds and other Union and national funding instruments and with the EIB

2.2 The information required for ex-ante verification of compliance with the rules on additionality

2.3 A summary of the assessment of the fulfilment of applicable ex-ante conditionalities at national level and of the actions to be taken, the responsible bodies, and the timetable for their implementation, where ex-ante conditionalities are not fulfilled

2.4 The methodology and mechanism to ensure consistency in the functioning of the performance framework

2.5 An assessment of whether there is a need to reinforce the administrative capacity of the authorities involved in the management and control of the programmes and, where appropriate, of the beneficiaries, as well as, where necessary, a summary of the actions to be taken for this purpose.

2.6 A summary of the actions planned in the programmes, including an indicative timetable, to achieve a reduction in the administrative burden for beneficiaries

3. Description of the integrated approach to territorial development or a summary of the integrated approaches to territorial development based on the content of the programmes

3.1 Arrangements to ensure an integrated approach for the territorial development of specific sub-regional areas

4. Arrangements to ensure efficient implementation of the Partnership Agreement and programmes

4.1 An assessment of the existing systems for electronic data exchange, and a summary of the actions planned to gradually permit all exchanges of information between beneficiaries and authorities responsible for management and control of programmes to be carried out by electronic data exchange

Source: European Commission (2013) *Draft template and guidelines on the content of the partnership agreement version 2 – 26.02.2013*, Ad hoc Expert meeting on draft templates and models for the content of the Partnership Agreement and programmes under cohesion policy, 1 March 2013, Brussels.

(ii) *Reactions to the Commission Position Papers*

The Commission has produced country Position Papers to provide a framework for dialogue with the Member States on the content of the 2014-20 Partnership Agreements and Programmes in advance

of the formal negotiations. The Position Papers were sent to the Member States and discussed in bilateral meetings towards the end of 2012, followed by further informal meetings on key themes during 2013. The papers share a common structure and provide the Commission's views on each country's development challenges along with proposals for funding priorities, thematic and specific objectives, and governance recommendations. A comprehensive review of the content of the papers for all EU28 Member States has been published in another EPRC Report.² The main focus here is on the views of IQ-Net managing authorities.

The reaction of most IQ-Net programme authorities to their respective Position Paper has generally been positive. A key perceived benefit for programming is the provision of more clarity on the European Commission's position. Managing authorities welcome the insight gained into the Commission's thinking and key priorities covering all the relevant Commission DGs (Poland, Portugal, United Kingdom). Confirming expectations about shared goals is another positive outcome of the exercise. In Denmark, the funding priorities have been useful in underpinning the aims of DBA and other national bodies to continue focussing programming in thematic areas. Vlaanderen staff note that the paper recognises the already strong links between current priorities and the Europe 2020 agenda – innovation and SME development are already priority axes in the current programme – and the territorial dimension, reflected in the strong contribution to urban development. In general, the German authorities support the Commission's approach of endeavouring to link Structural Funds more strongly with EU-level strategies for economic growth and employment and also of concentrating funds on specific thematic objectives so that funds are not scattered ineffectively ('watering can' or *Giesskanne* approach). Similarly, the Commission's emphasis on a smaller menu of options is welcomed in England and Scotland, as it is thought that this can deliver more impact than a more diffused approach. Although Austrian policy-makers had initially some concerns when the paper was presented in October 2012, ÖROK now considers the paper to be in line with their own views on the forthcoming programme period.

The Position Papers are seen as providing a useful tool for programming in two main ways. First, the papers have helped to structure the on-going, informal dialogue and bilateral meetings between the Member States and Commission services on key themes (e.g. Greece, Portugal, Spain). Second, the papers can support the process of domestic debate and programming (Austria, Greece Spain). In Austria, a consultancy supporting the national authorities in the development the PA provided an in-depth analysis of the Commission Position Paper translating the core funding priorities and thematic/specific objectives into the relevant investment priorities of the draft ERDF, ESF and EAFRD Regulations to ensure coherence (see **Error! Reference source not found.**). Programme anagers in the Czech Republic welcomed the way the position paper shines a light on some of the less positive experiences of the current period to inform programming. Lastly, the Commission recommendations have been useful in justifying planned changes in regional programmes to beneficiaries, e.g. in the decision to not support the construction of local roads and sport infrastructure (Poland).

² Mendez C, Bachtler J and Granqvist K (2013) *European Commission Perspectives on the 2014-2020 Partnership Agreements & Programmes: A Comparative Review of the Commission's Position Papers*, European Policy Research Paper, No. 84, Glasgow. Available at: http://www.eprc.strath.ac.uk/eprc/documents/PDF_files/EPRP_84.pdf (accessed 6 June 2013).

Table 3: The Austrian Country Position Paper – translated into CPR terms

FP 1: Innovation, Smart Specialisation, business environment for SME		FP 2: Exploiting the labour market potential of older people, women, migrants, improving education outcomes			FP 3: Promoting resource efficiency and reducing CO ₂ intensity		
TO 1: <i>Research, technological development and innovation</i>	TO 3: <i>Competitiveness of SME, agriculture, fisheries, aquaculture</i>	TO 8: <i>Employment and labour mobility</i>	TO 9: <i>Social inclusion and poverty</i>	TO 10: <i>Education, skills, LLL</i>	TO 4: <i>Shift towards low carbon economy</i>	TO 5: <i>Climate change adaptation</i>	TO 6: <i>Protect environment and promote resource efficiency</i>
ERDF (1b): Private business investment in R&D	EAFRD (6a): Diversifying economic activities in rural territories	ESF (8a.vi): Active and healthy ageing	ESF (9b.i): Active inclusion ESF (9b.ii, vi): Marginalised communities	ESF (10c.i): Reduce early school-leaving	ERDF (4b,c): Energy management in industry, services, SME, public buildings	EAFRD (4a,b, 5a): Restoring & preserving bio-diversity	ERDF (6d): Protecting and restoring bio-diversity
ERDF (1b, 3a): Private business investment in R&D		ESF (8a.iv): Gender equality	ESF (9.iv): Health care services ESF (9b.vi): CLLD	ESF (10c.ii): Quality of tertiary education	ERDF (4e): Low-carbon strategies in all areas	ERDF (5b): Risk prevention, risk management, env. protection	EAFRD (4a,b,c): Restoring, preserving and enhancing eco-systems
ERDF (6d): Eco-innovation	EAFRD (a, b, c): Business innovation in agriculture, forestry, aquaculture	ESF (8a.ii): Integrating young people into LM	ERDF (9b): Regeneration of deprived urban areas ERDF (9a): Health and social infrastructure	ERDF (10): Education and training infrastructures	EAFRD (5e): CO ₂ reduction in rural areas		
Strengthen (international) cooperation in RTDI		ETC (aii): gender equality across borders	EAFRD (6b): Social inclusion in rural areas		EAFRD (5c,d,e): Resource efficiency, low-carbon economy in agriculture, food and forestry		

Source: Adapted by EPRC from ÖROK (2013) *STRAT.AT 2020, Prozess & inhaltliche Bearbeitung, Informeller Austausch mit der Europäischen Kommission*, 9 April 2013, p. 8.

Several drawbacks, tensions or inconsistencies were also highlighted by IQ-Net authorities. First, there is **uncertainty and disagreement about the legal status** of the Position Papers. Commission statements and guidance have given the impression that the papers are binding instruments that must be fully taken into account, but this view has been rejected by a number of Member States that see the papers as unbinding guidance, not least because there is no reference to the document in the draft Regulations. The Commission has countered that the purpose of the papers is to open a dialogue and that even if the paper is not referenced in the Regulations it presents the Commission's position, which must be taken into account in the programming of the Funds.

The **administrative workload associated with reviewing and addressing the recommendations** is a further challenge (Germany, Spain). Spain's national authorities have identified around 100 specific objectives/recommendations in the paper and while the intention is to take into account as many as possible a considerable amount of administrative coordination would be required. This is compounded by the need to take account of other EU-level guidance documents, programming templates as well as the National Reform Programmes (Czech Republic, Germany). Moreover, there is a degree of uncertainty in working with guidance documents that are developed in parallel to the informal dialogue with the Member States and that contain elements that depend on the on-going negotiations on the legislative framework (Portugal).

Turning now to the content of the Position Papers, the main concerns are about the Commission's analysis of challenges, proposed objectives and targets, and governance arrangements.

- **Development challenges.** There is an issue of alignment between the limited number of (three to four) challenges and the more extensive list of (eight to 11) thematic objectives. In the paper for Spain, the business/SME theme includes elements of R&I, ICT and transport. This is not considered to be an appropriate structure for the programming of the Funds. Similarly, the United Kingdom notes that the three key challenges set out in the Position Paper are very broad and some key contributors to growth in some areas are not mentioned (e.g. infrastructure) or are not given enough prominence (e.g. intermediate and higher level skills).
- **Territorial dimension.** A consequence of the thematic organisation of the papers is a lack of sensitivity to territorial specificities or synergies across different domains (Portugal, Spain, United Kingdom). For instance, the papers do not sufficiently recognise that the barriers to growth differ across regions, and that policy preferences and local solutions will accordingly differ across countries (Bizkaia, United Kingdom).
- **Concentration.** While the broad approach taken by the Commission is welcomed in many countries, this does not sit easily with concentration requirements or recognise domestic policy efforts. According to Niederösterreich, the breadth of thematic and specific objectives proposed creates demand amongst a wider range of actors to benefit from funding than is currently the case. United Kingdom authorities note that if everything that the Commission wants to address is included in the programmes, they would be doing 'everything'. Not all of the proposed activities will be addressed as they are not all considered to be a priority for Structural Funds (for example, in England), especially because the Structural Funds represent a modest proportion of domestic expenditure and other channels of funding are available to address the issues. By contrast, German managing authorities note that the Commission is encouraging concentration in the Partnership Agreement (not simply within programmes), which is challenging in a large and economically diverse country.
- **Europe 2020 targets.** The Position Papers list the national Europe 2020 targets included in National Reform programmes, omitting those targets that have not been signed up to by some Member States, as is the case with the United Kingdom position paper (i.e. targets relating to the employment rate, R&D expenditure levels, early school leavers and those engaging in tertiary education). The United Kingdom argues that the Commission must respect this in the negotiation of the Partnership Agreement and programmes. According to Greece, revisions of the targets are needed (such as two percent of GDP expenditure on R&D) to reflect the latest National Reforms Programme targets (now at a lower level of 0.67 percent of GDP) which are more consistent with current economic realities and trends.
- **Thematic Objectives.** The Commission has identified what it considers to be the most important Thematic Objectives for each Member State, illustrated in Table 4. The main concern among IQ-Net authorities is ensuring that the Thematic Objectives are sensitive to Member State needs and challenges. This requires a degree of flexibility with respect to national or regional objectives that may not be included or given sufficient emphasis in the Position Papers. For instance, Greece would like greater emphasis on sectors with

competitive advantage such as tourism and culture, while in Germany some of the current Convergence regions consider that there is still a need for other types of intervention that are not listed within the 11 Thematic Objectives. Concerns relating to specific thematic or cross-cutting objectives include:

- **Information and Communication Technology.** There is a question of funding ICT infrastructures in C&E regions, where the Commission position (against) does not seem to be in line with recent negotiations at the EU level (e.g. in the European Parliament). The Scottish managing authority finds that the Commission's recommendations lack regional specificity; e.g. what is stated for the United Kingdom as a whole with regards to ICT provision does not hold for parts of Scotland such as the Highlands and Islands.
- **Business competitiveness.** The German authorities argued strongly during negotiations on the text of the Structural Funds regulations for changes relating to business aid (i.e. the inclusion of aid for large firms, especially for projects relating to R&D and energy efficiency) and business-oriented infrastructure. Even though these interventions are in principle eligible, it may not be possible to allocate much funding to these types of project due to the Commission's demand that funding be concentrated strongly on the themes with threshold values and because of the approach taken in the Position Paper.
- **Low-carbon economy.** While there is a requirement to spend at least 20 percent of ERDF through the low-carbon Thematic Objective, the United Kingdom Position Paper only encourages investments in sustainable transport under this heading. The Paper suggests investments in renewable energy, which could also contribute to meeting this thematic concentration goal, should sit under the resource efficiency Thematic Objective. This will affect programme planning and needs clarification. Similarly, Greek authorities argue for a broader description of actions under the low-carbon economy theme.
- **Accessibility.** Contrary to the Commission's view, Finland is keen on including a regional accessibility priority in the programme, albeit limited to Northern and Eastern Finland where population is sparse and distances are long.
- **Transport.** In Poland, the construction of regional roads will continue although the Commission would prefer a focus on railways. In the opinion of the ERDF unit, railways should be supported by central government (although the new ROP will also support railway investment through the purchase of rolling stock through a company owned by the regional government). According to Greece, the Position Paper is more restrictive than the relevant guidelines on EU transport policy. While they agree with the Commission's view on ports and cruise ships, there may be tensions with new State aids rules for infrastructures and the new Regional Aid Map.
- **Social cohesion.** The importance given to the different ESI Funds varies and, in some cases, the ESF themes are considered to be overrepresented (Austria).
- **Macro-regional cooperation.** Some Member States consider that there is an over-emphasis on macro-regional strategies, such as the Baltic Strategy (Denmark). In a similar vein, the United Kingdom authorities note that coverage of the Atlantic Strategy in

the United Kingdom Partnership Agreement should be proportionate to its contribution to domestic economic strategies.

- **Ageing.** Finland agrees with the emphasis placed on the ageing theme in the position paper, but views this as a multifaceted, cross-cutting challenge that must be tackled with a range of measures including those targeted at increasing skills in the workforce and youth unemployment.

The Position Papers also review the future governance arrangements, including proposals relating to: ex-ante conditionality; the programme architecture; coordination arrangements; horizontal principles; partnership; financial management, audit and control; administrative capacity; and monitoring and evaluation.³ The main concerns and issues raised by IQ-Net authorities are as follows.

- **Conditionality.** The Commission has included a range of 'general considerations to improve governance and delivery' under the Thematic Objectives proposed in the papers, which are considered to exceed its competences and provide additional conditions on funding. For example, the United Kingdom authorities note that the recommendations relating to access to publicly funded training and synergies with the Youth on the Move initiative, should not constitute preconditions for approval of the Partnership Agreement and programmes. Similarly, the Greek authorities note that the 'general considerations' to 'improve governance and delivery' should not provide additional conditions that are not part of the agreed Regulation Annex on conditionalities.
- **Number of OPs.** The Commission has asked for a reduction in the number of OPs in Portugal and Spain, but has not identified which OPs. It is difficult to significantly reduce the number of OPs where there is a regionalised ERDF architecture, and the Position Papers do not explicitly encourage the integration of regional ERDF and ESF OPs. Moreover, the logic or rationale underpinning the Commission's proposals are not provided in the Position Paper.
- **Regionalisation of OPs.** As noted, the Commission recommends maintaining ESF OPs at the national level for many countries. However, regional councils in France would have preferred to see regionalisation of ESF in its entirety and believe that there was some reticence on the Commission's side to engage with new actors at the regional level.
- **Number of Intermediate Bodies.** The Commission has encouraged Finland to reduce the number of intermediate bodies and streamline administration. However, the number of intermediate bodies is not seen as being a problem, rather they ensure efficient decision-making and better guidance for beneficiaries. Nevertheless, the managing authority has taken steps to align the administrative processes (e.g. payment process) of different bodies.
- **Project selection.** The Commission has recommended more use of project calls in France, but the national position on this is not clear yet. Opinions are divided as to the usefulness of the calls (which might exclude certain actors) and whether it is better to use both, closed and open (*au fil de l'eau*) calls.

³ For a detailed review, see Mendez *et al.* (2013) *op. cit.*

Table 4: EU28 Thematic objectives in the Commission Position Papers

Thematic objective	AT	BE	BG	CZ	CY	DE	DK	EE	ES	FI	FR	GR	HR	HU	IE	IT	LT	LU	LV	MT	NL	PL	PT	RO	SI	SE	SK	UK	EU28
1. RTDI	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	28
2. ICT		x	x	x	x	x		x	x		x	x	x	x		x	x	x	x	x		x	x	x			x		20
3. SME Competitiveness	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	28
4. Low-carbon economy	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	28
5. Climate change & risk prevention		x	x	x	x	x		x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		24
6. Environm. protection & resource efficiency	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	28
7. Sustainable transport & networks		x	x	x	x			x	x			x	x	x		x	x		x	x		x	x	x	x		x		18
8. Employment and labour mobility	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	28
9. Social inclusion and poverty	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	28
10. Education, skills and lifelong learning	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		x	x	x	x	x	x	x	27
11. Institutional capacity			x	x				x			x	x	x	x		x	x		x			x	x	x	x		x		15
Total Number	7	10	11	11	10	9	7	11	10	8	10	11	11	11	8	11	11	9	11	10	7	11	11	11	10	8	11	7	-

Source: Mendez, Bachtler and Granqvist (2013) *op. cit.*

3.1.4 Added value of Partnership Agreements: Strategic direction and coordination

A central goal underpinning the regulatory design innovations to the new Partnership Agreements for 2014-20 is to **support a greater strategic orientation to programming**. Although it is still too early to provide a full assessment, some IQ-Net managing authorities consider that this goal is being achieved, partly because of the increased importance of the PA as a reference document. For instance, in Poland the key programming principles embodied in the PA will be important for ensuring thematic concentration in the programmes and driving the results-orientation linking the programmes more directly to specific indicators. The United Kingdom Partnership Agreement will be a more concrete document than the NSRF. It is intended to be a more practical, useful 'business plan' for the United Kingdom than the previous NSRF. The Greek national authorities stress the role of the PA in providing strategic guidelines for the drafting of the OPs, although this is not perceived to be a major change compared to the NSRF.

Another strategic function of the PA is to build consensus around a shared strategy. National programme administrators in Denmark and France highlight the role of the PA in promoting shared ownership between different actors at different levels based on close cooperation in the development of the document. In Germany, the approach of developing the PA is bottom-up with repeated iteration between the federal and *Land* levels, as was the case with the NSRF. In the case of the United Kingdom, the PA will be more locally informed than the current NSRF, not least because of the current domestic importance of the local agenda.

Nevertheless, various IQ-Net authorities argue that **the key driver of strategic shifts in the thematic content of the PA and programmes are the new thematic concentration obligations** (Czech Republic, Germany, Vlaanderen). In this sense, it is not the PA *per se* that is driving strategic concentration and direction but rather the pre-defined regulatory objectives on spending priorities at EU level. While thematic concentration is generally welcomed, in the view of one managing authority this leaves less room for strategic creativity and may encourage formalistic cross-referencing of EU strategic documents rather than genuine strategic thinking.

A second key goal of the PA is to encourage **a more integrated approach to programming across the ESI Funds**. The expectations are largely positive in this respect (Finland, Greece, Portugal, Slovenia, Spain, United Kingdom). PA consultations have often sought feedback on this issue to support the development of the strategy. At the very least, the definition of the scope of intervention across all ESI Funds in a single national document is likely to improve options to make use of combinations of funding and to allow better information exchange about activities. Arguably more important is the new option to use multi-fund programmes combining the ERDF, ESF and CF, which is being taken up in several countries (see next section). Second, the priority to territorial instruments represents a further opportunity to develop a more integrated approach, especially across CF, ERDF and ESF (Poland).

There are other **informal arrangements for encouraging integration** that are not tied to specific regulatory requirements. For instance, in Germany there seem to be stronger efforts at *Land* level to find practical means of improving coordination between the four different EU Funds in 2014-20 (ERDF, ESF, EAFRD, EMFF) compared to 2007-13, e.g. via more cooperation between managing authorities, joint ex-ante evaluations, domestic strategic political agreements covering all four Funds,

and endeavours to differentiate programme content more clearly. In France, there is seen to be further potential for pooling knowledge on certain aspects of the different funds at the national level and work is underway on the harmonisation of various documents (such as project applications) across the different Funds.

A key challenge to integration relates to **specificities of the different ESI Funds which have their own identity, constituencies and focus** (France, Vlaanderen). While there are obvious links between different funds under some priorities, this is not always the case across all priorities or across all ESI Funds.

Rural development coordination in particular is considered to be complicated and challenging (France, Germany, Spain, United Kingdom). The German case illustrates some of the challenges. The Federal Economics and Innovation Ministry (BMWi) is leading on the development of the entire German PA, but is directly responsible only for coordination relating to the ERDF, whereas other federal ministries are responsible for coordination issues relating solely to the three other Funds. The issues that have arisen in relation to the integration of the EAFRD into the PA-level strategy are three-fold. First, whereas the ERDF and ESF have undergone a strategic reorientation towards the Europe 2020 strategy in the past few years, this process has not taken place for the EAFRD which has instead continued with its existing approach. It is therefore proving difficult to fit the EAFRD strategic approach into the PA's strategy which is strongly informed by Europe 2020. Second, the ERDF and ESF authorities have worked over time to reach agreement on a relatively small set of core indicators across all OPs; however, this work has not involved the EAFRD, i.e. the EAFRD programmes are instead proposing around 300 different indicators. Third, some specific issues have arisen in relation to Pillar 1 (i.e. market and direct aid to farmers). At present, there are efforts to see what could be done in practical terms to integrate the EAFRD more effectively into the PA and to address these issues. There is a risk that this could mean either that the German authorities will have to delay the submission of the PA to the Commission, or that they will submit the PA with only provisional sections relating to the EAFRD (although it is unclear whether this would be acceptable to the Commission).

Efforts to increase rural development coordination can also be seen in Poland. In the case of the national programme financed by EAFRD, some activities will be implemented at regional level in cooperation with regional governments, which will increase the level of coordination between activities of the ESF, ERDF and EAFRD in rural areas. For this purpose, a mechanism will be applied to select activities for the programme that are based on specific regional conditions, algorithms, and the allocation of resources between the regions. According to the draft PA, a major consideration in this architecture is the development of more integrated approaches, moving away from 'sectoral' thinking.

3.2 Operational Programmes

3.2.1 State-of-play

OP preparation is at different stages across IQ-Net countries (a summary for each IQ-Net country/region is provided in Annex 3). Anticipated dates of submission to the Commission range from September/October 2013 (when the Regulations are approved, i.e. Austria, Finland) to March 2014 (United Kingdom - England). The delay in England is mainly due to the agreement to design locally driven programmes, based on local economic partnerships which have to be aggregated first to the national level under the OPs and the PA. In a number of countries there is uncertainty over

submission dates notably where OP development is at an early stage and where the main focus of activity has been on the PAs (e.g. Greece, Portugal, Spain). As with the development of the PAs, many IQ-Net authorities note that important operational programming decisions are awaiting agreement on the 2014-20 EU budget, the package of Cohesion policy Regulations (including the Commission's Implementing Regulation) as well as domestic strategies (notably relating to smart specialisation).

Thematic working groups and workshops have been organised, mainly involving the key public bodies and officials involved in programme development. Nordrhein-Westfalen has organised a workshop on the key three priority axis themes in April/May 2013 with the relevant units in all the *Land* ministries to identify which specific activities should be funded, project examples and indicators. Further existing and new working groups are dealing with specific aspects of OP preparation (strategic decisions, operational issues thematic issues or programme preparation. In Scotland, the Monitoring and Evaluation Group (MEG) has been reconstituted and is assembling an evidence base to help determine which activity will have the greatest impact.

Working groups or committees with a wider membership have been established in some countries to support programme drafting. In Finland, the Cohesion 2014+ working group is led by the Ministry of Employment and Economy (managing authority) and has participants from sector ministries, regions and confederations. At regional level, the involvement of partners in the programming has been ensured through Regional Management Committees, which bring together counties, state's regional administrative authorities, business development agencies, municipalities, universities, confederations etc. In addition, the managing authority has organised meetings to facilitate discussion between all relevant stakeholders. In Slovenia, two informal working groups were set up, one with the representatives of the social partners and the other one with the representatives of the NGOs.

In line with the acceleration of the drafting of programmes, **public consultations have been launched or are planned** in a wide range of IQ-Net countries/regions.

- **Denmark.** The consultation phase should end before the summer holidays, which implies that the draft programmes should be ready for public scrutiny no later than the first half of May.
- **Vlaanderen.** Consultation has taken the form of formal and informal contacts with many of the beneficiaries and key stakeholders. Once a draft programme is available, a formal consultation process will be launched.
- **Germany.** Nordrhein-Westfalen undertook a major, formal written consultation with partners (socio-economic partners, local authorities, NGOs, members of the *Land*/federal/European parliaments etc.) on a Key Issues Paper. The consultation closed in September 2012 and received over 100 responses, which were then presented to a conference with 900 participants on 26 September 2012 provided further opportunities for partners to contribute their views. Since February 2013, Sachsen-Anhalt has been holding meetings to discuss a strategic paper (which covers the ERDF, ESF and EAFRD) with the *Land* Ministries and socio-economic partners, mainly in order to get more concrete information and details of goals and what specifically the partners wish to fund under different themes. Consultation with the wider public began in late 2012, through a series of events on the theme 'Future dialogue

– a strategy for my Land' (*Zukunftsdialoge – Eine Strategie für mein Land*). In addition, various media are used to provide information to partners, beneficiaries and the general public on preparations for the future programmes, namely the *Land* website, a newsletter, and a blog.

- In **Slovenia**, an online questionnaire was arranged in autumn 2012. In February 2013, a series of six public consultation events were organised, where stakeholders were invited to give their opinion on the drafts of the main strategic document that will inform the operational programme. A public consultation on the programme will be organised once the draft is ready in the summer, which will run for at least three weeks. As noted, informal working groups were set up with the representatives of the social partners and NGOs.
- **Śląskie (Poland)**. The third draft of the ROP was approved by the regional government in mid-April 2013 and is currently subject to consultation with regional partners. Each draft of the ROP has been accompanied by full public consultation. In addition to standard internet consultation, Śląskie organized several meetings and workshops with self-government representatives in sub-regions and thematic experts. Some of these were combined with consultations on the preparation of the Regional Development Strategy.
- **United Kingdom**. In Scotland, three parallel surveys were organised (1,400 stakeholders, the managing authority management team, and managing authority staff) on collective priorities for future Structural Funds programmes. A public consultation on content of the future programmes was launched in May 2013 at a stakeholder event which included panel discussions and workshops. In Wales, a public consultation process was launched in early 2013, to run until 23 April 2013, inviting comments on the programme strategy and priorities. Public events were held in various locations in Wales during February and March 2013.

Regarding **the development of strategic content**, the socio-economic analysis and SWOT analysis seems to be well advanced in many cases although progress with strategic priorities is more variable. Some IQ-Net authorities have made decisions on the key funding priorities/themes or are close to an agreement (Denmark, Finland, Śląskie, Vlaanderen). The main outstanding issues at stake in Nordrhein-Westfalen are whether to include a fifth priority axis on environmental issues and the respective allocation of funding, while in Denmark the decision to include a specific priority for urban issues is still being examined. By contrast, decisions on priorities have not been taken in Greece, although the strategy of all programmes should contribute to the five Key Development Strategic Priorities identified for the National Development Strategy. Similarly, in Portugal the recent decision on the PA's strategic and crosscutting priorities and on the OP architecture (in May 2013) has set the stage for the development of OP strategies and priorities.

Ex-ante evaluations have been launched and are well underway (Czech Republic, Finland, Nordrhein-Westfalen, País Vasco, Sachsen-Anhalt, Steiermark, Vlaanderen), although not all evaluators for all programmes had been selected at the time of the fieldwork (April 2013) (Czech Republic, France, Portugal, Slovenia, Spain, Śląskie). A distinctive feature in some cases is the use or planned use of a more iterative and interactive approach to feed into programme development (Finland, Portugal, Sachsen-Anhalt), including participation of evaluators in thematic workshops (Nordrhein-Westfalen). Of note in Sachsen-Anhalt and Wales is the use of a single, integrated ex-ante evaluation covering several ESI Funds.

3.2.2 EU Guidance - Reactions to the Commission template for OPs

A key component of the guidance for programming is the ‘template and guidelines for the content of OPs’. The template issued by the Commission includes 13 headings and an extensive number of sub-headings (at three levels) as well as 28 separate tables. The first draft was discussed with the Member States at a meeting in Brussels in mid-January 2013. A second draft was subsequently presented in early March 2013 addressing some of the Member State criticisms.

Box 3: Main headings of the draft template and guidelines for the content of OPs

1. Preparation of the OP and involvement of partners
2. Strategy for the OP's contribution to Europe 2020 and economic, social and territorial cohesion
3. Description of the Priority Axes
4. The financing plan of the Operational Programme
5. Integrated approach to territorial development
6. The specific needs of geographical areas most affected by poverty or target groups at highest risk of discrimination or social exclusion, with special regard to marginalised communities, and persons with disabilities
7. Specific needs of geographical areas which suffer from severe and permanent natural or demographic handicaps
8. Authorities responsible for management, control and audit and the role of relevant partners
9. Coordination between the funds, the EAFRD, the EMFF and other Union and national funding instruments, and with the EIB
10. Ex-ante conditionalities
11. Reduction of the administrative burden for beneficiaries
12. Horizontal principles
13. Separate elements - Presented as annexes in printed document version

Source: European Commission (2013) *Draft template and guidelines for the content of the Operational Programme, Version 2*, 25 February 2013, Ad hoc Expert meeting on draft templates and models for the content of the Partnership Agreement and programmes under Cohesion policy, 1 March 2013, Brussels.

As with the inter-related guidance on the PA template, IQ-Net authorities provided **a mixed assessment of the OP template and guidelines**. On the positive side, it is considered useful to have a common structure to ensure consistency across EU Member States and regions (Finland) and the document may facilitate the drafting and negotiation of the programmes in line with Commission expectations (Denmark, France, Portugal, Slovenia, Vlaanderen). The adjustments made to the second draft are welcomed as they address some of the key apprehensions raised by the Member States (Greece, Portugal), and some countries/regions do not have any particular concerns (Spain) as they consider the document to be in line with the draft Regulations (France, Niederösterreich).

On the negative side, several criticisms were made on the following issues.

- **Timing.** Earlier publication and discussion on the guidance could have been more useful for programming (Vlaanderen). That said, it would have been difficult for the Commission to do so in the absence of agreement on key parts of the Regulations. Indeed, the Nordrhein-Westfalen managing authority notes that, until the regulatory package has been finalised (including the Commission Implementing Regulation) and the guidance has been updated to reflect revisions, there is limited value in following the Commission guidance in detail.
- **Prescription. Some feel that the template contains an excessive level of detail and has checklist character** (Niederösterreich). Some sections are perceived to go beyond regulatory requirements (e.g. on partnership and coordination between the Funds). There are concerns about the need for alignment with the Commission's Country Position Paper as this is not part of the regulatory framework per se (Greece).
- **Structure and presentation.** Various Member States are reported to have criticised the 'IT-driven' approach of the template, which may lead to programme documents that are not appropriate for a public audience (i.e. with a considerable number of data tables), potentially requiring the elaboration of additional documents for public dissemination. Similarly, the presentation of Thematic Objectives and investment priorities in separate sections provides a rather confusing structure (Finland). The defined limits to the word/page length of the various sections is considered to be too rigid (Finland, France, Greece, Steiermark) and may lead to insufficient information and thus to uncertain commitments (Greece). On the other hand, the limits also force the drafting teams to focus the arguments and be succinct, which is seen positively in Vlaanderen.
- **Indicators.** Greece's coordination authority notes that the template examples of programme-specific result indicators with qualitative targets are not suitable (i.e. SME productivity as GVA per worker), or create ambiguity concerning the types of eligible actions that could contribute to the indicator (i.e. perception of safety in selected urban areas). Further guidance on these indicators and qualitative targets would be welcomed.

3.2.3 Results-orientation: Intervention logic, indicators and targets

As part of the new results-orientation, a key aspect of OP programming which has been given far more attention by the European Commission for 2014-20 is the clarity of objectives, intervention logic and indicators underpinning the strategies. **Progress in the development of the intervention logic and associated indicators is relatively advanced in a number of IQ-Net countries and regions**, although there is on-going work on indicator baselines and targets.

- **Austria.** An intervention logic has been developed for Thematic Objectives 1 (Research and Innovation), 3 (SME Competitiveness) and 4 (Low-carbon economy). It has also been discussed with the Commission's evaluation unit. In Niederösterreich, the draft programme includes a conceptualisation of results-indicators and effect chains.
- **Czech Republic.** The drafts of OPs are well developed in terms of the strategy and intervention logic. Suitable indicators are outlined, but base lines or targets have not been set

yet as financial allocations are unknown. Moreover, these first drafts may be subject to considerable changes.

- **Finland.** The draft OP has outlined an intervention logic including a description of the general aim of each objective, targets for the objectives, pursued change, investment priorities (and specific objectives) and eligible measures for each priority area. The process of defining intervention logic, priorities and indicators is iterative and therefore the intervention logic must be adjusted after the final indicators are defined.
- **Slovenia.** The intervention logic has been developed and needs, potentials, specific objectives, results, indicators and targets have been identified. The intervention logic prepared by the managing authority corresponds well to the requirements in the guidance.
- **Śląskie.** The ROP intervention logic, indicators and targets are included in the draft version. A Special Working Group on indicators has prepared sets of indicators, reflecting the emphasis placed on the issue for the 2014-20 period but work is on-going, e.g. on determining target values and more precise definitions.
- **United Kingdom (Scotland).** Work on the performance framework is considered to be quite advanced, matching programme core indicators against the Commission's core indicators and the Scottish Government's Performance Framework.

In various other IQ-Net countries and regions **these aspects of the programmes are at a formative stage and will be developed over the coming months** (e.g. France, Portugal, UK-England and Wales).

- **France.** A considerable amount remains to be done on this, including on the question how the processes of indicator definition and strategy development should be interlinked. DATAR is facilitating a workgroup of a limited number of participants on monitoring and evaluation (half regional councils (i.e. future managing authorities), half SGAR (i.e. current managing authorities) as well as 'resource' actors (national statistics institute INSEE), Commission representatives)). They try and work in a cross-fund perspective as much as possible since the regional councils are planning to develop multi-fund ERDF-ESF OPs. However, this is not straightforward as the rationales for ERDF and ESF are different.
- **Portugal.** Following a recent decision on the PA principles, the programming logic will be developed in line with the new results orientations. This will be useful for developing interventions, the theory of programming, aligning-defining OPs and results to achieve.
- **United Kingdom.** In England, the strategic approach is governed by a single National Growth Programme under which lie the OPs and discussion of intervention logic and targets are at a relatively early stage. Guidance has been issued to LEPs to help draft their strategies during the summer. In Wales, the focus has been on the new approach where Economic Prioritisation Frameworks will be used to identify the drivers for economic growth in Wales that will be supported by Welsh Government, higher education and local government,

including the Structural Funds. Again, discussion of indicators and targets will develop as the programmes are written.

As regards the impact and implications of the results-orientation, the preliminary drafts of programmes and views of IQ-Net authorities suggest a number of key points. **The impact of the results-orientation needs to be seen with the context of the broader strategic programming requirements relating to Europe 2020.** In particular, the thematic concentration and ring-fencing provisions are widely considered to be the main EU-level drivers of strategic programming choices in 2014-20 (Czech Republic, Germany, Spain, Scotland, Śląskie, Vlaanderen).

Nevertheless, **the new emphasis on the intervention logic of programmes** is strongly reflected in Commission guidance, particularly the OP template, which must be taken account of in the formulation of all programmes across the EU. Another indication of the importance given to the issue is **the use of external support to develop the intervention logic of programmes**. In Austria, on behalf of the Austrian working group of managing authorities (AGVB), ÖROK is carrying out a project that should help to translate the new requirements with regard to results-orientation into the Austrian context. This is part of an initiative launched by the AGVB in autumn 2012 to deal jointly with a series of aspects of common interest. ÖROK has tasked a consultant with the overall coordination of the project, which consists of two parts: intervention logic and programme structure. As noted earlier, the intervention logic has been developed for TOs 1, 3 and 4. In many other countries, the ex-ante evaluations are also likely to place a stronger emphasis on the intervention logic.

There are mixed views about the impact of these requirements on the approach to programming or the content of the programmes. **A more rigorous and focused approach to programming is being facilitated** in Denmark, where the new requirements have helped to support the commitment of programme administrators to providing a clearer intervention logic and causal chains running between individual projects via the national programmes to Europe 2020 objectives. It has also served to highlight the issue of policy additionality in relation to other national programmes in Denmark. In Vlaanderen, the need to offer a more precise formulation of what the 2014-20 ERDF programme aims to achieve is recognised in the on-going drafting process, particularly in response to the work of the ex-ante evaluators. Finland sees intervention logic as a tool to facilitate more rigorous and focused programme, although there is still some work to do. Similarly, policy-maker views and government guidelines in Greece, Portugal and Spain suggest that the intervention logic must be made more explicit than in the current period, although no drafts of programmes are available and it remains to be seen if this will be the case in practice.

In other cases, **the potential for change is considered to be more limited or restricted to specific themes, priority axes or interventions**. In Nordrhein-Westfalen, it is unlikely that there will be any change in the rationale of the SME and RTDI Priority axes (relative to 2007-13), but EU requirements could potentially lead to a degree of change in the intervention logic of the proposed urban development priority axis, which covers a relatively broad range of areas. Nevertheless, the approach set out in the draft Structural Funds regulations generally fits well with Nordrhein-Westfalen's approach. Similarly, the Sachsen-Anhalt managing authority is not planning any major changes in approach compared to the 2007-13 OPs. In the current period, for example, the *Land* invested considerable effort in developing programme objectives (both strategic and specific) as well as targets.

It is certainly clear that the **role and importance of indicators will rise in 2014-20 across all EU countries and regions**, particularly given the demands of the new performance framework and reserve. This is reflected in the increased attention given to **indicators at the earlier stage of programme preparations** rather than as an after-thought in the final stages of programming (Denmark, Portugal, Spain, Vlaanderen). This greater attention from the outset is also reflected in the organisation of workshops and commissioning of studies.

- **France.** A study commissioned by DATAR was published in February outlining a number of principles, methods and instruments to help define the future monitoring and evaluation framework of the Partnership Agreement and the OPs across all Funds. A section relating to the ERDF OPs examined the Commission's core indicators and provided guidance for the quantification of targets based on experience. The study recommended among other things to limit the number of indicators per programme based on a straightforward approach around the main programme priorities while ensuring high quality data; to increase the monitoring focus on beneficiaries in order to establish a more results-oriented approach; and to take a very cautious approach when defining result indicators at programme level.
- **Nordrhein-Westfalen.** The managing authority has organised a workshop on each of the first three priority axis themes (SMEs, RTDI, and CO₂ reduction) in April/May 2013 with the relevant units in all the *Land* ministries which could potentially be responsible for components of the OP, with the aim of identifying which specific activities should be funded under each priority axis, project examples and indicators.
- **Śląskie.** A Special Working Group on indicators has prepared sets of indicators, reflecting the emphasis placed on the issue for the 2014-20 period but work is ongoing e.g. on determining target values and more precise definitions. The Ministry of Regional Development has provided a long list of indicators to draw on.
- **Spain.** A review of the current approach is being undertaken, especially of the core indicators. This review is informed by the Commission's own review of core indicators as part of the Strategic Reporting and the inconsistencies that have been detected.
- **United Kingdom.** In Wales, the members of the Monitoring and Evaluation Group (MEG) are involved in working groups covering strategic delivery arrangements, lessons learned from the current period, unit costing methodologies, indicators and Technical Assistance.

Related to these developments, another distinctive feature for 2014-20 period is the **stronger emphasis on reaching agreement on common indicators at NSRF level**, in response to the regulatory requirements on core indicators, the performance framework and the experience of strategic reporting in 2007-13. This has been a problematic issue in the past, particularly in large countries with regionalised/deferred political systems – as in Germany where different OPs selected and designed different indicators limiting the consistency across the OPs and at NSRF level.

The increased emphasis on indicators may impact on programme content decisions. The only example arising from the fieldwork, however, was Vlaanderen where certain actions that were being considered for inclusion in the OP turned out to be difficult to capture through indicators and as such were re-thought. Associated with this, Vlaanderen notes that there is some ambiguity in relation to the

extent core indicators are to be used in programmes. The Commission states that core indicators should be used 'when applicable'. However, the meaning of 'applicable' is unclear – if this means that the indicator should be used if a certain theme is chosen then the core indicators have a major impact on the type of actions the programme can support.

Further changes to indicators or concerns relate to the following.

- **Number of indicators.** There is recognition of the need for fewer indicators (Spain, Vlaanderen), although in some cases an increase in the number of indicators is foreseen (Finland). Although the German authorities have reached consensus on a relatively small set of core indicators for the ERDF and ESF across all OPs, this work has not been done for the EAFRD, where the OPs are proposing around 300 indicators in total.
- **Results indicators.** A greater emphasis on result indicator is a new regulatory requirement. This may require changes to monitoring systems, more precision in the definition of objectives and indicators and more regular monitoring and early warning where there are deviations from targets (Greece). However, identifying good result indicators is not straightforward as recent EU discussions on the LEADER approach have shown (Portugal): the Regulation suggests that the number of leaders or partners could be used as an indicator, but this is not a result. Niederösterreich is concerned about the requirement to have a result indicator for each investment priority, which would create an overly complex indicator system.
- **Quantitative versus qualitative indicators.** A greater focus on qualitative indicators in addition to quantitative ones is expected in Austria and Finland. In the case of Finland, there is a discussion about assessing progress towards qualitative indicators with the use of expert panels.
- **Data availability and collection.** The assessment of result indicators could be restricted by the lack of the necessary statistical data (Greece). Changes may also be needed to align the timing of output/results data collection with spending certification including proper screening/checking of the data (Spain).
- **Output targets.** Output indicators are particularly important for the performance reserve, where OPs have to meet a high level of the initial targets in order to benefit from the future performance reserve. German federal authorities consider that there this means that there is a risk that indicator values will be set low. Moreover, there are obvious challenges in setting targets in a turbulent economic climate characterised by uncertainty (Spain).

4. STRATEGIC CONTENT

4.1 Thematic concentration

4.1.1 *Shifts in thematic orientation*

In many IQ-Net programmes, funding will need to be strongly concentrated following ring-fencing requirements. This applies especially to more-developed and transition regions, where up to 80 percent of ERDF funding will need to be concentrated on the TOs 1 (RTDI), 3 (Competitiveness of SMEs) and 4 (Low-carbon economy) (see Box 4 for a list of TOs).

In several cases, **this will not entail any major shift in thematic priorities**, as the 2007-13 programmes, especially under the RCE Objective, are already strongly focused on these themes. Accordingly, the concentration requirements do not pose major challenges in many IQ-Net ERDF programmes, e.g. in Austria, Denmark, Finland, Portugal, Scotland, Vlaanderen and Wales. Niederösterreich, for instance, aims to concentrate 100 percent of funding on these TOs.

Box 4: Thematic Objectives proposed for 2014-20

1. Strengthening research, technological development and innovation
2. Enhancing access to, and use and quality of information and communication technologies
3. Enhancing competitiveness of SMEs, the agricultural sector (for EAFRD) and the fisheries and agriculture sector (for the EMFF)
4. Support the shift to a low-carbon economy in all sectors
5. Promote climate change adaptation, risk prevention and management
6. Protecting the environment and promoting resource efficiency
7. Promoting sustainable transport and removing bottlenecks in key network infrastructures
8. Promoting employment and supporting labour mobility
9. Promoting social inclusion and combating poverty
10. Investing in education, skills and lifelong learning
11. Enhancing institutional capacity and an efficient public administration

However, several IQ-Net countries and regions will need to shift funding to the prioritised themes. **There will be shifts in spending towards all three objectives, but mainly to TO4 (Low-carbon economy):**

- **TO 1 (RTDI).** Investment into R&D and innovation will be increased in the Czech Republic, England, Finland, France and Poland. In Finland, in spite of already high innovation-related investments, these themes are encouraged as they are seen to be especially beneficial for regional development. The increased Finnish emphasis on innovation and knowledge

development also marks a shift from direct business aid to support for business and innovation environment.

- **TO 3 (SMEs).** Higher investments into SME support are envisaged in France and Spain. Niederösterreich plans to increase funding for consultancy services for start-ups and for SMEs, mainly on environmental themes.
- **TO 4 (Low-carbon economy).** The required minimum of 20 percent for low-carbon measures in more-developed and transition regions requires many IQ-Net countries and regions to increase their allocation to this theme (e.g. Czech Republic, England, Finland, France, Sachsen-Anhalt, Śląskie, Spain, Vlaanderen). France is considering going beyond the minimum allocation of 20 percent, in line with national objectives. The required threshold is lower in less-developed regions, but this will also entail an increase (e.g. Śląskie). In Denmark and Finland, a specific low-carbon Priority is being considered, while England plans to increase the funding for carbon reduction (less so for renewable energy).

Other notable shifts or developments within/across thematic objectives include:

- **ICT.** Despite the efforts of the Commission to exclude ICT spending in more developed countries, France will continue placing considerable effort into the ICT theme, largely driven by the national target to reach a 100 percent high-speed broadband coverage within the next ten years.
- **Environmental protection and risk prevention.** Sachsen-Anhalt will increase funding for environmental measures more widely. Flood protection will not receive any funding anymore in Niederösterreich and only under special conditions in Wales.
- **Infrastructure.** Some programme managers expect to witness a large decline in infrastructure support (e.g. Greece, Niederösterreich, Poland, Sachsen-Anhalt, Spain, Śląskie). Wales foresees the need to continue to invest in infrastructure where possible. In Finland, there will be some transport investment to increase regional accessibility for Eastern and Northern Finland.
- **Local and urban development.** In Vlaanderen, urban development will receive the 20 percent of funding outside of the prioritised TOs. By contrast, urban development will no longer be supported in Niederösterreich, but other *Länder* will contribute to the ring-fenced five percent for urban development (especially Vienna). Denmark and Spain are considering the possibility of creating a specific priority for local/urban development.
- **Education, skills and learning.** increased support to education support is expected in England, France and Scotland. Particular priority on vocational training is anticipated in Denmark and on higher level skills in England and Scotland.
- **Social inclusion.** Increased spending is planned in Denmark and Finland.
- **Institutional capacity.** Steiermark's regional management offices, which play an important role in the delivery of Cohesion policy funding, will probably be supported through the new TO 'Enhancing institutional capacity'. By contrast, the regional management offices in Niederösterreich will no longer receive ERDF support.

Table 5: Initial draft allocation to Thematic Objectives under Structural Funds planned in Poland and Sachsen-Anhalt (%)

Thematic Objective	Poland	Sachsen-Anhalt	
	ERDF, ESF and Cohesion Fund	ERDF	ESF
1 R&D and innovation	15.4-19	27.5	
2 Use of and access to ICT	4.7-6.2	10.0	
3 Strengthening SME competitiveness	2-5.4	25.0	
4 Reducing CO ₂ emissions	4.8-9.3	22.0	
5 Promoting adaptation to climate change, plus risk prevention and risk management	1.3-2	3.7	
6. Environmental protection and promotion of resource efficiency	9.9-12.4	4.7	
7 Promoting sustainability in transport and eliminating bottlenecks in important network infrastructure	28.63-32.3	1.0	
8 Promoting employment and supporting workforce mobility	7-8		23.0
9 Promoting social inclusion and fighting poverty	4.4-5.6	0.1	23.0
10 Investing in education, skills and life-long learning	6.5-8.2		50.0
11 Improving institutional capacities and promoting efficient public administration	1.3-1.5		
Technical assistance		4.0	4.0
Total	100	100	100

Sources: Sachsen-Anhalt's *Land* cabinet decision of 12 February 2013 and Ministerstwo Rozwoju Regionalnego (2013) *Założenia Umowy Partnerstwa, programowanie perspektywy finansowej 2014-2020*, 15 January 2013.

However, most IQ-Net countries and regions have not yet taken any final decisions about thematic orientation, not least due to the early stage of programming (e.g. England, Portugal, Slovenia, Spain). In other cases, there has already been an initial decision in Sachsen-Anhalt in February 2013 and a formal decision in Finland in September 2012. Also, the Polish draft PA from early 2013 provides indicative figures for the thematic funding allocations. Table 5 gives an overview on the planned allocation to TOs in Poland (all Structural Funds) and in Sachsen-Anhalt (ERDF and ESF). In Poland, as an example for a Member State with predominantly less-developed regions, especially the funding for TOs 1, 4 and 8 will be increased compared to 2007-13. Sachsen-Anhalt is introducing an interesting approach to a 'mixed Priority axis', similar to other German *Länder*. This Priority axis would bring together funding from a number of different themes in the ERDF OP, i.e. all funding under the TOs 5 (Climate change/risk prevention), 6 (Environmental protection), 7 (Transport), 9 (Social inclusion), and also some funding under TOs 1 (RTDI) and 4 (Low-carbon). This Priority axis would fund a range of themes relating to integrated measures for sustainable urban development (e.g. intelligent transport systems, urban development strategies, electro-mobility, flood protection etc.), with some funding partly channelled through traditional mechanisms, partly through competitive calls and partly through ITIs.

Translated into the programme Priorities that will be adopted in the ERDF/ESF OP in Śląskie, Table 6 illustrates the financial allocation to themes in 2014-20.

Table 6: Financial plan for Śląskie OP according to programme Priorities

Programme Priority	Potential allocation of Cohesion policy funding (%)
1. Modern economy (competitiveness, innovation, R&D)	10.5
2. Information Society	3.0
3. Strengthening SME competitiveness	8.0
4. Energy efficiency, low carbon initiatives	7.0
5. Protecting the environment and promoting resource efficiency	7.0
6. Transport	20.0
7. Regional labour market	7.0
8. Regional work-force based on knowledge	5.7
9. Social inclusion	5.5
10. Revitalisation	4.0
11. Education provision	5.5
12. Education infrastructure	2.0
13. ESF financial instruments for entrepreneurship, including social enterprises and the self-employed	0.8
14. ERDF financial instruments	10.0
15. Technical Assistance ESF	1.5
16. Technical Assistance ERDF	2.5

Source: Zarząd Województwa Śląskiego (2013) *Projekt Regionalnego Programu Operacyjnego Województwa Śląskiego na lata 2014-2020*, 16 April 2013.

4.1.2 Drivers of change

The drivers of changes to the thematic orientation of the future programmes can be divided into **EU-driven and domestic factors**.

The main EU-level driver is the Commission's requirement to ring-fence selected TOs (e.g. Czech Republic, Finland, France, Greece, Niederösterreich, Portugal, Spain, Śląskie, Vlaanderen, Wales). This relates especially to the need to prioritise low-carbon economy measures (e.g. Finland, Spain), an area to which most Member States have so far dedicated fewer funding than will be needed under the future framework. Niederösterreich points out that there would have been greater thematic variation without the ring-fencing requirements. Nevertheless, they perceive thematic concentration positively, as it allows building up critical mass and avoiding unnecessary friction losses.

Other EU-level factors mentioned by IQ-Net programme managers are the **amount of funding allocated** to Member States (Finland, Greece), the **Europe 2020 strategy** (Czech Republic) and the **Commission's Position Papers** (Scotland). In Scotland, Structural Funds expenditure will be organised into three themed Scottish funds, reacting to the three points in the Commission's position paper around jobs, low-carbon and local development.

In some specific cases, thematic shifts are mainly due to **changes to the regional eligibility status** (Greece, Sachsen-Anhalt). Sachsen-Anhalt is likely to move from Convergence / Phasing-out to Transition Region in 2014-20. As a result, funding would be reduced by about a third and ring-fencing rules for Transition Regions would apply. This would not only result in a significant fall in funding for infrastructure, but also in a minimum of 40 percent of all Structural Funds being allocated to ESF (compared to the current 24 percent). The higher allocation to the ESF would mean that the prioritised TOs 1 (RTDI) and 3 (SMEs) would actually receive a lower share of funding than is currently the case. In Greece, the move of several regions away from Convergence status is expected to lead to serious problems as regards the ability of these regions to cover their infrastructural needs (e.g. with regard to environmental and transport infrastructure). Although the Greek authorities welcome the formulation of different levels of concentration for different categories of regions, they consider that pre-setting the minimum shares for the allocation of Structural Funds to TOs will reduce the flexibility of Member States and regions and will undermine their efforts to fully exploit their endogenous potential.

The main **domestic factors defining the future thematic orientation of the programmes are regional or national priorities and strategies** (e.g. Austria, France, Spain, Vlaanderen, Wales). Examples are the strategies 'Vlaanderen in Actie' (ViA) and New Industrial Policy (NIB) in Vlaanderen, the regional innovation strategies in France, and the forthcoming Economic Prioritisation Frameworks in Wales, which will identify the Welsh drivers for growth.

Other drivers mentioned by IQ-Net programme managers include **domestic needs for an increased impact-orientation** (Scotland), **public spending constraints** (Finland), pressures to create thematically inclusive programmes that meet **stakeholder interests** (Finland, Portugal, Scotland) and concrete challenges, such as the **significant increase in unemployment** in Portugal, which will mean a rise in funding provided for social inclusion measures. Finally, in Poland, some thematic changes also result from the reorganisation of the programme architecture, which entails changes to the demarcation line between national and regional funding.

4.2 The Territorial Dimension

4.2.1 Territorial instruments

In its proposals, the Commission advocates an integrated approach to territorial development and encourages the use of new instruments: Community-Led Local Development (CLLD), replacing the LEADER approach, and Integrated Territorial Investments (ITIs). Also, Integrated Sustainable Urban Development is supported by encouraging the development of integrated investment strategies and ring-fencing a minimum of five percent of ERDF resources.

The **Community-Led Local Development (CLLD)** concept will be introduced for all ESI Funds. In line with the LEADER approach, currently used in rural development programmes, Local Actions Groups (LAGs) will be responsible for the implementation of local development strategies.⁴ At the start of 2013, the Commission published a guidance document⁵ laying out ways to optimise the use of CLLD and organised a seminar to inform programme managers about the new tool.

⁴ European Commission (2012) *Factsheet Community-led Local Development*, March 2012. Available at: http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/community_en.pdf (accessed 4 June 2013).

⁵ European Commission (2013) *Common Guidance of the European Commission' Directorates-General AGRI, EMPL, MARE and REGIO on Community-led Local Development in European Structural and Investment Funds*,

Integrated Territorial Investments (ITIs) are new instruments. They must be based on an integrated territorial strategy and can cover any sub-national territory as well as multiple categories of regions. ITIs can replace separate Priority axes for urban development and need to draw on ERDF, ESF and Cohesion Fund funding from at least two Priority axes. EAFRD and EMFF funding may be involved, but only in a complementary form. The key programming requirements are the identification of ITIs in OPs, including planned financial allocations, and the subsequent monitoring of ITI outputs during implementation.⁶ In February 2013, the Commission published a guidance document⁷ on the use of ITIs, and subsequently organised an ad hoc expert group on the theme.

The various Commission proposals fostering an integrated approach to territorial development are supported in principle by most IQ-Net programme managers (e.g. Denmark, England, Nordrhein-Westfalen, Portugal, Scotland, Slovenia, Vlaanderen). The territorial dimension is of particular importance in Portugal, where it will be a cross-cutting principle in the strategic design of the PA and OPs. In Scotland, integrated territorial development is seen as having significant opportunities for ensuring integration between the Funds. However, DATAR in France is more reserved and feels that developments on territorial instruments have been **complicated due to Commission guidance coming late and evolving over time**. Based on the results of an earlier evaluation, they carried out a seminar in March 2013 on the various instruments of territorial development, together with the Ministries of Agriculture and Environment responsible for EAFRD and EMFF.

Many IQ-Net programme managers appreciate the added value of introducing CLLDs (Czech Republic, England, Greece, Portugal, Sachsen-Anhalt, Scotland). In England, they are viewed as a valuable way of supporting local communities. For Greece, the initiative of local communities and support from LAGs involving public and private local actors is considered essential. The national Greek authorities are of the view that CLLD will encourage local communities to develop integrated bottom-up strategies that will better respond to specific local problems and needs. In the Czech Republic, CLLD is anticipated to be used in the majority of OPs with earmarked financial resources. The range of interventions targeted in the Czech Republic will be broadened in comparison to LEADER approaches in 2007-13. Similarly, in Scotland, the key will be to evolve the current LEADER model and the Scottish CPP (Community Planning Partnership) approach so that these groups can develop and deliver collective plans. There is already organisational infrastructure in place in Scotland, but some CPPs and LAGs will need additional support to develop and become effective at this kind of planning and delivery. Also, Sachsen-Anhalt is building on its experience made with LEADER. The authorities do not only intend to continue CLLD under the EAFRD, but also consider involving ESF, but not ERDF funding. The Sachsen-Anhalt ERDF/ESF managing authority has discussed the possibility of using CLLD in ERDF/ESF with the EAFRD managing authority and some

draft version – 30 January 2013. Available at:

http://ec.europa.eu/regional_policy/what/future/pdf/preparation/clld_guidance_2013_01_31.pdf (accessed 4 June 2013).

⁶ European Commission (2012) *Factsheet Integrated Sustainable Urban Development*, February 2012.

Available at: http://ec.europa.eu/regional_policy/sources/docgener/informat/2014/urban_en.pdf (accessed 4 June 2013).

⁷ European Commission (2013) Draft Guidance Fiche Integrated Territorial Investment (ITI), version 21/02/2013.

Available at:

http://ec.europa.eu/regional_policy/what/future/pdf/preparation/fiche_integrated_territorial_investment.pdf (accessed 4 June 2013).

LEADER projects in order to gain ideas of what types of project could potentially be funded via the ESF.

However, there are some reservations to introduce CLLD beyond the current LEADER approach (e.g. Finland, Niederösterreich, Nordrhein-Westfalen, Spain, Steiermark). Finland will include CLLD in some form in its single programme, but they will not introduce LEADER type groups in urban regions because of the administrative burden they involve. In Austria, Niederösterreich and Steiermark do not plan to use CLLD for Structural Funds, but other Austrian *Länder*, such as Tirol, plan to introduce CLLD structures involving both ERDF and EAFRD resources. Similarly, Spain will not make use of CLLD under the ERDF. In the negotiations, the Spanish authorities had problems with the requirement that public participation in the managing bodies cannot be above 49 percent of the voting rights. Management of these instruments is hard enough for public bodies familiar with Cohesion policy regulations. In some cases, experiences with LEADER in the past and current programme periods have been discouraging (Spain, Śląskie), as there can be issues with limited capacity at the local level (e.g. Greece). In Śląskie, it has been challenging in the past to identify local actors responsible for the identification of local needs and issues.

Many IQ-Net programme authorities are considering the use of ITIs (e.g. Czech Republic, Finland, Greece, Slovenia, Spain, Śląskie, Vlaanderen). The Czech Republic is planning to use ITIs only for urban development interventions. Greece plans to use ITIs also for areas with permanent geographical handicaps (e.g. islands and mountainous areas) and areas suffering from the economic crisis (urban poverty, de-industrialisation, high unemployment, social exclusion). Spain may use ITIs for the low-carbon economy theme. In addition to that, Spain may set up a 'Blue ITI' on the Atlantic Strategy based on an Atlantic action plan with funding from the regional OPs Cantabria, Galicia and Canarias, as well as from the ETC OP Atlantic Space.

Vlaanderen is currently investigating possibilities to manage some aid funding through ITIs. Following a decision taken in the European Council meeting on 7-8 February 2013, Belgium will receive €133 million to counteract the closure of industrial facilities in Genk (Vlaanderen) and in Liège (Wallonia). Half of the funding (€66.5 million) will be allocated to the North Limburg province, where Ford Genk plant is located, and could be implemented through an ITI as part of the future Flemish ERDF programme. There are also proposals for ITIs in other provinces, but no decision has been taken on whether these will be taken forward. Structural Funds programme authorities in Vlaanderen are not convinced that adopting further ITIs is necessary or viable. North Limburg is a very specific case, and an ITI could be helpful in the context of plant closures and the reconversion of the economy. According to Vlaanderen, it would not be desirable to have a high number of ITIs because the resources available through Structural Funds are limited and duplicating management and implementation structures would not be efficient. The provinces are interested in using ITIs as it allows them to ring-fence resources which can only be used in that particular territory, therefore guaranteeing funding. In the context of a single OP for Vlaanderen, the provinces are dependent on the project proposals that they submit and therefore funding sources are not guaranteed.

Śląskie plans to include ITIs in the new ERDF OP and potentially also under the ESF. Poland's National Strategy for Regional Development and the new Regional Development Strategies include a categorisation of territories. These areas of strategic intervention (e.g. metropolitan, urban, rural, areas of structural disadvantage etc.) will inform plans for ITIs. Additional funding will be transferred to the regions from a nationally managed programming reserve. This additional allocation will be

targeted for the realisation of ITIs. In a first instance, it will target the main regional agglomerations (in Śląskie the central agglomeration based around Katowice). However, also other cities and towns with deprived areas are being considered. Secondly, Śląskie has considerable experience in this field as the current regional OP is the only in Poland that includes funding for Sub-regional Development Programmes. These are based around the region's four main agglomerations and involved the formulation of ERDF-funded integrated sub-regional development plans by sub-regional actors. The use of ITIs in the new regional OP will entail greater involvement of local authorities in implementation, notably in the development of strategies, integrated projects and plans to be approved at the regional level. Under the ESF, there are plans for partnership projects that will give stronger decision-making powers to local interest groups such as NGOs. In the current Human Capital OP, around half of the beneficiaries are local authorities and the region would like to broaden participation, potentially through ITIs, particularly as local authority budgets are constrained by the economic crisis. There is a challenge in integrating ERDF and ESF under the ITI initiative. For instance, local authorities may decide to emphasise integrated transport initiatives in their sub-regional plan and this would clearly be more relevant to ERDF. However, ESF could be involved under the headings of labour mobility, connectivity or even revitalisation of areas etc.

Others do not plan to make use of ITIs (Austria, England, Nordrhein-Westfalen). Austria would have only considered ITIs in the case of a joint ERDF OP involving all *Länder*, but not under the now agreed regionalised programme structure. England is not planning to set up ITIs, but rather plans to use its existing LEPs (Local Economic Partnerships) to cover integrated development issues. The Nordrhein-Westfalen ERDF managers have discussed the question of whether to use ITI with other *Land* ministries and local authorities and it has been decided that, instead of ITIs, the OP should include a specific Priority on integrated urban development issues, with funding being allocated via competitive calls. Although some local authorities had originally been interested in the ITI approach, this was largely because they had hoped that this might involve the earmarking of specific blocks of funds for individual local authorities; however, the *Land* has said that funding will instead be allocated through competitive procedures. Because of this and because of the additional administrative requirements associated with the ITI approach, the local authorities came to the view that it would be preferable instead to propose a Priority for integrated urban development based on 'normal' or non-ITI procedures. The intention is that the Priority axis for integrated urban development in the Nordrhein-Westfalen ERDF OP in 2014-20 will only provide funding for integrated urban strategies, i.e. not for individual projects; in addition, all funding/strategies must be focused on the theme of social inclusion (*Prävention*) i.e. not narrow infrastructure projects.

Finally, there is wide support for the increased focus on urban development amongst IQ-Net programme managers (Austria, Czech Republic, Finland, Greece, Nordrhein-Westfalen, Slovenia). In the Czech Republic, integrated urban development strategies will replace the current integrated plans for urban development, but discussions are still at an early stage. In Austria, the minimum allocation of five percent to urban development will be covered already by the Wien ERDF programme alone. However, also the *Länder* Steiermark and Oberösterreich are planning urban measures, mainly looking at fostering city-region relations. In Nordrhein-Westfalen, the managing authority may propose sustainable urban development incorporating social issues, relating to the domestic policy field of '*kein Kind zurücklassen*' – leave no child behind. In Greece, urban development will be based on a holistic approach and incorporate provisions for economic and environmental sustainability, measures for the adjustment to climate change, provisions serving

housing needs for specific social groups, measures for workplaces and entrepreneurship, functional and aesthetic improvement and strengthening social cohesion.

Yet, there is also some scepticism (Denmark, Wales). Denmark will probably **not use any of the new territorial instruments**. Due to the limited size of the Danish programmes, policy administrators prefer avoiding the additional administrative effort. Specific themes such as urban development would be dealt with in a separate Priority in the ERDF programme. Wales is not convinced of the merit of new territorial instruments and considers that a more regional element can be introduced using existing structures. The Welsh managing authority is considering how they might link with a recently launched regeneration strategy, with potential to help deliver the programmes on a regional basis. However, final decisions about the use of the new instruments are still outstanding in many IQ-Net countries and regions (e.g. Finland, Portugal, Slovenia, Vlaanderen).

4.2.2 Funding for less developed areas

Several IQ-Net programmes are planning to specifically prioritise less developed areas in their Structural Funds programmes 2014-20 (Denmark, Finland, France, Greece, Poland), i.e. beyond the implicit targeting of rural or peripheral areas through the EAFRD.

- **Denmark will continue to operate a system of nationally designated peripheral areas** (the so-called *yderområder*), for which the six Regional Growth Fora will be responsible. It does, however, remain to be decided on the basis of which criteria these areas will be designated in the coming programme period, and how designation will affect the allocation of funding between and within regions. However, in the light of debates in recent years about regional disparities in Denmark and the future of the so-called ‘rotten banana’ peripheral areas in particular, it is likely that there will be some form of preferential treatment to less developed areas in the future.
- **Poland is planning to target areas of strategic intervention defined in its National Strategy for Regional Development.** Yet, Śląskie expects it to be challenging to integrate ERDF and ESF funding in less developed regions. On the one hand, the ESF is perceived to have a stronger role addressing themes relevant to less developed areas, but it has less of a territorial dimension. On the other hand, the ERDF has a stronger territorial dimension, but a stronger thematic emphasis on supporting growth.
- **Finland will continue to target funding to structurally weaker regions of Eastern and Northern Finland.** Its single OP’s Priority 4 ‘Accessibility’ will be solely funded from the special funding that Northern and Eastern Finland receive due their status as sparsely populated area. While the current prioritisation of disadvantaged regions in Southern and Western Finland will not be continued in 2014-20, Finland plans to operate an approach that allows allocating additional funding to regions with below-average performance in key indicators (e.g. GDP and unemployment rate) during programme implementation.
- **France and Greece plan to target urban areas** (France, Greece). In Greece, funding will be designated particularly to urban areas facing problems of unemployment, deprivation and poverty. This will differ from the 2007-13 approach, as it is likely that specific areas within a city will be targeted instead of the city as a whole. In France, there is some thinking about

targeting investments in energy efficiency in social housing on 'sensitive urban zones' (ZUS, *zones urbaines sensibles*).

In other cases, **the current approach to prioritisation of less developed areas in the 2007-13 programmes will not be continued** (Niederösterreich, South and West Finland). Niederösterreich is currently prioritising disadvantaged areas with structural problems, but does not plan to continue to do so. There is also likely to be some change in Nordrhein-Westfalen, which earmarked considerable funding of its current ERDF OP to urban 'problem' areas and structurally weaker regions. The programme states the broad principle that 50 percent of the funds should go to structurally weaker areas. This includes mainly the current programme's Priority 3 'Sustainable Urban and Regional Development', which amounts to 30 percent of all ERDF funding. However, for 2014-20, the Nordrhein-Westfalen *Land* Key Issues Paper emphasises that funding will go to the best and most innovative projects, regardless of where they are located. Still, it also notes that the *Land* will ensure that towns and areas particularly affected by structural change will receive appropriate support. The managing authority proposes that some funding under the 'Mixed Priority axis', which is largely focused on integrated urban development, might potentially be limited to structurally weaker areas. However, this might lead to domestic co-financing issues, as local authorities in structurally weaker areas throughout Germany (including some in Nordrhein-Westfalen) are facing severe fiscal constraints due to the domestic system of local government funding. There are on-going attempts to find a solution to these difficulties both at federal level and in Nordrhein-Westfalen.

Other IQ-Net countries and regions will continue not targeting funding specifically to less developed areas (Sachsen-Anhalt, Slovenia, Vlaanderen). In Vlaanderen, there will not be any special funding for less developed areas, with the exception of additional funds to the aid package to North Limburg (see Section 4.2.1). In Sachsen-Anhalt, the current eligibility status of its regions implies specific treatment of its two NUTS 2 regions falling under the Convergence Objective. However, this will change in 2014-20 when the whole *Land* is expected to fall under the Transition Objective, and there are no plans to designate any funding for less developed areas.

However, at this stage of the programming process it **is too early to take final decisions about prioritising specific areas** (e.g. Czech Republic, Steiermark). In most OPs in the Czech Republic there could be designated funding allocated to less developed regions, as defined in the Czech regional development strategy for 2014-20. This approach would differ from 2007-13, when less developed regions have only been prioritised during project selection in some OPs. However, this proposal is still only at an early stage and might not be put into practice. Steiermark will wait until the regulatory framework and the financial allocations have been decided.

4.3 Financial Instruments

The Multiannual Financial Framework 2014-20 places great importance on the role that financial instruments (FIs, known as financial engineering instruments by the Commission for the 2007-13 programme period) are expected to play in the next round of Cohesion policy programmes. The Commission supports a further strengthening of their use, and has drafted a new legislative framework that aims to improve the coherence and consistency between instruments, raise visibility and transparency, and potentially reduce the number of FIs to ensure a sufficient critical mass.

In the draft regulation laying down common provisions for the five ESI Funds, Title IV has been dedicated entirely to FIs. There will be a single set of rules for governing FIs in all five ESI Funds and the separate title is intended to allow for clearer presentation of the instruments' specificities. Supplementary provisions will be covered by delegated and implementing acts, which are currently being prepared. FIs will also be governed by the new Financial Regulation which has been in force since January 2013, in which Title VIII (Articles 139-140) contains detailed provisions on FIs.

The Council compromise texts on FIs for the 2014-20 period show that the Commission has attempted to address many of the challenges that have arisen in 2007-13 in the new regulatory provisions. These include a number of modifications that directly address issues raised by managing authorities and the European Court of Auditors, for example:

- revised provisions relating to the ex-ante assessments that must be undertaken before FIs are established;
- a reduction in the number of FIs to ensure a sufficient critical mass and to minimise disparities;
- State aid compliance and eligibility of management fees and costs;
- clear financial regulation and use of revolving resources; and
- regular reporting and monitoring.

An ex-ante assessment must be carried out prior to the decision to support FIs, although it does not necessarily need to be carried out/completed before the OP is agreed, and can, for example, be carried out in phases. Going further than the feasibility studies or 'gap analyses' of the 2007-13 period, the ex-ante assessments will tie the findings related to market gaps more closely into the objectives and priorities of the ESI programmes, and will include more information on what type of financial products should be put in place. The added value of FIs under consideration must be explained, and there must be an assessment of lessons learned from similar instruments or ex-ante evaluations in the past.

The regulatory proposals foresee three implementing options for managing authorities (Article 33 of the CPR):

- Financial Instruments set up at EU level (contributions from OPs to these FIs will be ring-fenced for investments in regions and actions covered by the OP, and will attract co-financing at a rate of 100 percent). This could be an attractive option for small regions.
- Standardised ('off-the-shelf') FIs set up at national/regional level.
- Already existing or newly-created FIs set up at national or regional level (managing authorities themselves can directly implement loans or guarantees).

While there is some interest expressed in the new options by IQ-Net managing authorities, the continuing uncertainty given the status of the regulatory proposals makes it very difficult to commit to such an option. There is also the possibility of having a separate Priority in the 2014-20 OPs solely for FIs. If a managing authority chooses this option, they can benefit from an increase of the co-financing rate by ten percent. Discussions are on-going at Commission level as to whether a 'horizontal' FI Priority is possible, e.g. including FIs which cover different TOs. Only one IQ-Net managing authority has so far reported their decision to use a separate Priority for FIs, Śląskie, where separate Priorities has been designed for FIs under ERDF and ESF (Priority 13 for ESF and Priority 14 for ERDF).

Two main approaches to FIs can be seen among IQ-Net managing authorities (bearing in mind that many decisions cannot be taken until the ex-ante assessments are carried out): broad continuity, with some adjustments to take account of experience in the current period and lessons learned; and more radical change.

Few programmes are yet able to estimate the amounts to be spent on FIs in the future; one exception is the OP Enterprise and Innovation in the Czech Republic, which currently anticipates an allocation of ten percent for FIs. In France, an increase of the amount allocated to FIs is also expected, as the consultation document on the PA points out that, given budgetary restrictions, the use of FIs should increase beyond the current level of two percent of ERDF, and it is expected that more regions will use financial instruments.

The length of time it takes to set up new funds has contributed to the desire to **adjust existing instruments rather than start fresh** with new ones (France, Nordrhein-Westfalen, Sachsen-Anhalt, Slovenia, Spain). In France, those regions which have been implementing a FI under the Commission's JEREMIE initiative in 2007-13 will continue to do so in 2014-20. There are also examples of broad **continuity anticipated in terms of management arrangements**, using existing structures where possible (Sachsen-Anhalt, Slovenia, Wales). Finally, Vlaanderen will continue not to make use of FIs, as in the current programme period.

More fundamental change is expected in Finland, where the strategic value of interest-subsidised loans has recently been questioned, as well as the contribution to regional development made by Finnvera, the state-owned financing institution that currently manages the ERDF-cofunded financial instruments. First, there has been a lack of demand experienced for interest-subsidised loans. Second, Finnvera's involvement is found to not necessarily be justified by market failure. In some instances Finnvera has been potentially crowding out banks, as the subsidised loan products may have 'pick[ed] the regional cherries'. This may reflect common practice in the regions where SMEs have traditionally relied on Finnvera rather than solely on local banks, which implies that Finnvera finance is not necessarily addressing market failure, but is about the pricing and conditions related to risk financing. Taking this into account, at the current interest rate, the strategic value of subsidised loans is questioned, and little value added found.⁸ In terms of equity instruments, the future fund manager for these in Finland is as yet undecided (Finnvera currently manages the venture capital FIs for seed and start-ups).

New management may also be introduced in France, where the EIF is currently conducting an analysis in a number of regions, and it may be that it will be involved in implementing FIs in three to four further regions in 2014-20. In addition, national financial institutions (the newly set up Public Investment Bank and its components (Oséo, CDC) and actor networks (Horizon Entreprendre, France Initiative) are positioning themselves in order to get involved.

In terms of fund structures, there is debate in several Member States over **whether to introduce/continue regional funds or to amalgamate these into a larger, national fund**, perhaps with regional earmarking (Austria, Denmark, England, Greece). Austria will adopt a national approach to financial instruments in order to ensure a critical mass. For a future venture capital fund, the Austria

⁸ Ministry of Employment and Economy (2012). Evaluation of Finnvera Plc.

Wirtschaftsservice (AWS) will assume the role of national Intermediate Body. The fund will use ERDF money from all ERDF OPs and will be aimed at start-ups and firms in early stages. Given the uneven experience in Denmark with the six (relatively small) regional instruments established in the current period, the most likely development may be a national instrument focusing on, for example, start-up businesses in peripheral regions in order to create a critical mass in investment activities. FIs are one of the areas where consideration is being given in England to top-slicing from the ERDF OP, and operating some instruments (equity) at national level, where the larger scale could be used to bring in partners such as the EIB and minimise costs. However, any FIs would also need to be locally responsive, e.g. through local fund managers, as, if wholly market-based, they would tend to invest all the funds in the more prosperous areas (the south of England), where private venture capital is already concentrated. An 'options table' is currently being developed to help agree a model for FIs. The Greek authorities strongly support the view that the EU resources implemented through the use of FIs should be allocated at national level (a function similar to that of the Cohesion Fund) and that there should not be a binding regional allocation.

A large **Fund of Funds (holding fund) approach** is being considered in several countries (Scotland, Spain, Wales). In Scotland, different possible models are being considered; one would involve using a Fund of Funds under which Infrastructure Funds and Access to Finance FIs might be located. An alternative could be to have two separate funds, one for 'national fabric' type investments and one to support 'investor readiness'. In Wales, the managing authority would like to simplify access to FIs, perhaps by using a Fund of Funds approach that pulls in funds from different OP priorities/ESI Funds with one access portal for final recipients.

The Commission is keen for managing authorities to consider **broadening the use of FIs beyond SME support and urban development projects**, to cover the other thematic objectives proposed for ESI Funds. Several Member States are interested in broadening the thematic ranges, especially with regard to **low-carbon measures and energy efficiency** (France, Portugal, Scotland, Spain, Wales). In Spain, the creation of a Fund of Funds to subsume various FIs for SME support, urban development and possibly energy efficiency/low-carbon-economy is being considered. In Scotland also, there is considered to be major potential for using FIs to lever in additional investment for low-carbon and R&D&I as well as SME support, and similarly in Wales, there is also interest in exploring the possibilities for FI use around R&I, energy efficiency/low-carbon and infrastructure, as well as the current fields of SME access and urban development. In France, there is an interest at the level of social housing associations to make use of financial instruments in 2014-20, such as revolving funds for thermal renovation, while Portugal is also interested in extending use of FIs to new fields such as energy and social fund areas.

However, **experience with the use of the ESF to co-fund FIs** has not been altogether positive in this period (Denmark, Sachsen-Anhalt),⁹ and little scope is foreseen for increasing their use in these programmes, nor in Wales. However, ESF-funded micro-loans are likely to continue to have important role in Śląskie ROP, as their use has recently been positively evaluated.

It has been recognised that **2007-13 has been a period of lesson-learning for many managing authorities** in implementing FIs, and that there have been issues in terms of resources and skills. In

⁹ See Michie R and Granqvist K (2013) *Managing the 2007-13 programmes towards full absorption and closure. Review of programme implementation, Winter 2012-Spring 2013*, IQ-Net Review Paper 32(1), European Policies Research Centre, Glasgow.

this regard, Member States are acting to increase capacity and knowledge for the future. In Scotland, the managing authority is considering future long-term 'half and half' secondments with the EIB, while in France, a study will review experiences with financial instruments in 2007-13 in order to feed into preparations for 2014-20. Within this framework, a *vademecum* on different types of instruments has been developed with the help of financial institutions and managing authorities, who provided feedback on whether the document responded to their needs. In Greece, the national authorities intend to carry out an ex-post evaluation regarding the implementation of the FIs in the 2007-13 programme period. To assist with capacity building, the Commission is exploring the idea of a Technical Assistance platform that could provide assistance to Member States in setting up FIs in future.

Some uncertainties remain with regard to the regulatory proposals and these are hindering the decision-making process. The outstanding areas of uncertainty reported by IQ-Net managing authorities include:

- **Public tendering.** Do issues already tendered for the 2007-13 period in the context of current FIs (e.g. for an administrator of the Holding Fund) need to be tendered again?
- **Funding availability.** There might be problems caused by future funding being released in tranches, resulting in liquidity challenges.
- **Ex-ante assessments.** Can ex-ante assessment be done internally or does it have to be outsourced to an evaluator? Also, there is some confusion caused by the translation into German, as the English version says 'market weakness' (*Marktschwäche*), whereas the German version says 'market failure' (*Marktversagen*), i.e. the German version is stronger.
- **Management costs.** How can management costs be calculated as a percentage of the amount committed to FIs when phased contributions are introduced?
- **Recycling of funds.** How can funding from centralised instruments be recycled and what happens if a regional allocation to a centralised instrument does not perform?

Currently, negotiations between the Parliament, Council and Commission are ongoing, the drafting of the delegated and implementing acts is underway, as is the development of the off-the-shelf instruments. The Commission is holding an informal stakeholders day in Brussels on 20 June 2013 to present the new proposals. However, in the meantime it is very difficult for managing authorities to progress decisions around future FIs when the regulations have not been agreed, and may still change, and when the proposals are still silent on some areas of concern.

5. STRATEGIC DELIVERY AND PERFORMANCE

5.1 Programme management

Changes and adaptation to programme management and implementation structures will be needed across all EU Member States to deal with the new regulatory requirements. Substantial changes in the allocation of Cohesion policy competences across different levels of governance are expected in several cases in response to shifts in the policy architecture and political priorities.

Centralisation of programme management and delivery is taking place in the Czech Republic and Finland in response to the elimination of regional programmes. In the case of the Czech Republic, this was due to negative experiences with complicated programme management/implementation structure, while rationalisation in Finland is mainly due to cost-effectiveness reasons and the pursuit of better coordination across the ERDF and ESF. That said, it has also been decided to strengthen the roles of the Regional Councils and of the Regional Management Committees. To some extent, centralisation might also take place in Vlaanderen, where the role of Contact Points in the provinces is being evaluated. Their tasks could be centralised to the managing authority Agentschap Ondernemen, which also has regional contact points.

Decentralisation of programme management and delivery is taking place in Poland, France and the United Kingdom. In Poland, regional ERDF/ESF programmes replace the current division into regional ERDF OPs and a national ESF OP. In France, Structural Funds will be decentralised to a significant extent following the change in government in 2012. This applies mostly to ERDF, which will be fully decentralised (apart from a Technical Assistance envelope to be maintained at the national level), including the management of the four interregional OPs (river basins and mountainous areas). The management of EAFRD will also be decentralised, although a significant part of the funding will be allocated automatically to measures initiated by the State. The regions were also keen to obtain ESF management in its entirety, but it was decided that 65 percent of ESF would remain in the hands of the central State (to be used to fund short-term training for unemployed), while only 35 percent will be managed by the regions. However, it is important to note that half of the State envelope will be effectively managed by sub-regional local authorities (*conseils généraux*) based on delegation. While the regions judge the level of ESF funding insufficient to fund their training, employment and inclusion policies as well as further competences transferred in the context of the new phase of decentralisation, some say that the financial risk for the regions, which will be fully responsible to bear any financial corrections and sanctions, will be reduced by keeping the ESF centralised for a considerable part. It remains to be seen how the partnership at the regional level will evolve, since the former managing authorities (regional State services) may still play a role due to their expertise; at the same time, staff at the level of State services are being cut in the general context of budget constraints and it may become difficult for them to make a significant input. As at present, cooperation is likely to be very variable from one region to the next. In England, programme management (i.e. managing authority function) has been centralised during this programme period (although still sub-nationally located) and this will be maintained in 2014-20. However, to some extent, priority setting and project selection is being decentralised to new bodies at local level in response to the new local agenda.

Other significant shifts in specific programme structures, tasks and functions can be seen in response to shifts in the programme architecture, to improve coordination across Funds, adapt to changes in territorial governance, address fragmentation problems and improve cost-effectiveness.

- **Shifts in the programme architecture.** Śląskie faces the challenge to adapt to the planned joint ERDF/ESF regional OP in 2014-20. Currently, the region plans to maintain separate ERDF and ESF units with responsibilities for the management of specific priorities in the new regional OP. Important decisions have still to be made on the allocation of managing authority responsibilities, on how the units will coordinate actions in terms of monitoring, evaluation, ITIs, cooperation with implementing bodies, FIs etc. Various options are currently being discussed, for instance the creation of a managing authority overarching the ERDF and ESF units and the creation of thematic or horizontal working groups for areas of joint interest (e.g. on the use of ITIs to combine ERDF and ESF in revitalisation projects).
- **Improving coordination.** In Sachsen-Anhalt, there will be a single managing authority for ERDF and ESF in 2014-20 and a separate managing authority for EAFRD. However, in autumn 2013 the EAFRD managing authority will be moved from the *Land* Ministry for Agriculture to the *Land* Ministry of Finance, alongside the ERDF/ESF managing authority. The Sachsen-Anhalt authorities are currently considering how coordination could be improved between the ERDF/ESF on the one hand and the EAFRD on the other, e.g. there is likely to be stronger coordination in the field of publicity and communication. There might also be changes to the audit authority role, which needs to be in a different organisation than the managing authority according to the current proposals.
- **Changes to territorial governance and priorities.** In England, there will be new governance arrangements at local level, with Local Enterprise Partnerships (LEPs) playing a role (as yet undefined) in future programmes. The national managing authorities will continue to undertake the technical appraisal of projects and carry out final decision-making through Area Growth Teams located in their sub-national offices. The Area Growth Teams may potentially combine staff from different managing authorities, although currently some of these have no sub-national presence. The LEPs have some capacity concerns about their future role, as they vary widely in terms of staff numbers, experience and resources
- **Addressing management fragmentation.** Greece is planning major changes to its delivery structures. The experience of the current period has highlighted the multiple problems the current approach entailed. Management and implementation has been delegated to various administrative units and implementing bodies, resulting in an unnecessarily fragmented management structure. Evaluation results have also highlighted significant coordination problems. Decisions on changes to programme management structures and tasks will be taken as soon as the new programme architecture and funding allocations are known.
- **Cost-effectiveness.** In Nordrhein-Westfalen, the Centre for Quality Management will be moved from the NRW.BANK (i.e. the *Land* Investment Bank which acts as intermediate body for various ERDF interventions in 2007-13) to the managing authority, as this is seen to be more cost-effective. The Centre was set up in 2007-13 and has the task of monitoring the activities of the various implementing bodies with the aim of identifying and addressing any

weaknesses in the implementation systems. The role of certifying authority will be moved from the NRW.BANK to one of the *Land* ministries and other tasks in the programme cycle (e.g. project selection, administration of commitments and payments) will be centralised more strongly in the managing authority.

Finally, a significant reduction in the number of intermediate and implementing bodies is planned in several IQ-Net programmes (Austria, Czech Republic, Niederösterreich, Nordrhein-Westfalen, Sachsen-Anhalt, Steiermark) or is under consideration (Greece, Spain). Niederösterreich even plans to reduce its *Land*-level intermediate bodies to just one. While there will still be four federal Intermediate Bodies, the *Land* Government department WST3, currently already an important Intermediate Body, will be the only remaining intermediate body for ERDF funding in Niederösterreich. At the same time, the managing authority will try to increase its number of staff. Also Nordrhein-Westfalen plans a significant reduction in the number of bodies involved in the delivery of the ERDF programme. Instead of the current 80 or so intermediate and implementing bodies, the managing authority is proposing that a single unit in each sectoral *Land* ministry could be designated formally as an implementing body responsible for ensuring that all other units in that ministry accessing ERDF resources implement the appropriate procedures. Reasons for the reduction of bodies involved in programme delivery include **thematic concentration**, which leads to some themes falling out of funding in the future (Sachsen-Anhalt), a more centralised programme architecture (Czech Republic) and the expectation of **significant simplification for programme implementation** (Niederösterreich, Nordrhein-Westfalen). Although there might also be new bodies assuming roles in programme delivery, e.g. due to new themes covered, the NCA in the Czech Republic would like to avoid the risk of involving inexperienced new actors in the future.

So far, **there has only been little thinking about performance management or supervision with regard to intermediate bodies**. Several IQ-Net programme managers recognise the need to improve monitoring and supervision of implementing bodies, but planning is still in early stages (Greece, Poland, Portugal, Spain). In Portugal, for instance, the Observatorio supports the idea of using contracts to reinforce the results orientation. This is more straightforward to do in some interventions, such as postgraduate schemes where contracts can be drawn up with managing authorities and public bodies, as is currently the case.

There is some experience with contractual arrangements, for instance in Finland, Nordrhein-Westfalen and Portugal.

- In Finland, the ELY-centres (Centres for Regional Development, Transport and the Environment) are currently **guided by target agreements and a strategy document**. In 2014-20, the implementation of the Structural Funds programme will be included in their target agreements. In addition, the Ministry of Employment and the Economy will increase the budget control over the Regional Councils by introducing a similar budget procedure for the Regional Councils as for ELY-centres.
- In Nordrhein-Westfalen, **the current system to manage the relation to implementing bodies with contracts will be continued**. As in 2007-13, the ERDF managing authority will have contracts with regard to targets and procedures in place. However, the programme managers note that agreeing contracts and setting targets do not in themselves guarantee that implementation will be smooth. For example, if the implementing bodies are unable to

recruit appropriate staff or if there are political delays in approving domestic legal frameworks, then the implementing bodies will probably not be able to meet the targets set. The Nordrhein-Westfalen ERDF authorities feel that, instead of simply focusing on contracts and targets, there is a need to ensure that the implementing bodies work well and have the capacity to meet their goals.

- Also in Portugal, there is experience with **contracts between levels of governance**, i.e. managing authorities at national level and municipalities. Such contracts, along with other mechanisms, are perceived as a good way to drive the results-orientation, although this is challenging easy and no decisions have been taken.

However, there are also concerns about legal and capacity issues with regard to closer supervision in the Czech Republic, where the Ministry for Regional Development will have to ensure the delivery of strategic objectives set in the PA.

5.2 Monitoring Committees

Continuity in terms of monitoring committee membership is expected in most IQ-Net programmes for the next period, but **rationalisation in the number of committees is likely to lead to a change in composition for a number of programmes**. This is generally part of the action taken to increase co-ordination between Funds, sometimes alongside a consequent reduction in the number of OPs. This is the case, for example, in Finland, where the number of monitoring committees will drop from five to one, and in England, where there will be one national monitoring committee in place of the current ten local committees for the ERDF programmes, and one national committee for the ESF. Rationalisation may also take place under the Nordrhein-Westfalen ERDF OP, where the managing authority is proposing that one operational-level monitoring committee should replace the current two-tier system, composed of a strategic/political monitoring committee and a working group of operational staff dealing with programme implementation issues. The rationalisation of the number of monitoring committees is expected to be accompanied by a **growth of sub-committees or advisory groups** (Finland, Scotland). In Śląskie, there could be sub-committees for ERDF and ESF and/or one for specific horizontal issues such as ITIs, although there is concern about the risk of bureaucratic overload.

Several managing authorities are considering widening the composition of the monitoring committee. In Vlaanderen, representatives of the civil society such as NGOs are expected to join as observers, and Śląskie is also keen to include more NGOs and representatives of the private sector. University representatives are likely to be included in the monitoring committee for the first time in Sachsen-Anhalt, where the possibility is also being discussed that some members of the *Land* parliament may join. However, this may not be necessary, especially as the head of the managing authority regularly reports in person to the *Land* parliament and its committees, and as the managing authority also regularly answers written questions from the *Land* parliament, its committees and individual members of parliament.

The **role and strategic orientation of monitoring committees under future programmes is a topic still under discussion in most IQ-Net programmes**. Several managing authorities note that there is little time for strategic discussions in current meetings of the monitoring committee(s) and several are considering how to devote more time to these issues. The managing authority in Greece

suggests that the role of monitoring committees should be enhanced by the introduction of compulsory and more frequent meetings, prior briefing for members and less use of written procedures – widely used in Greece in 2007-13. On the other hand, the Vlaanderen managing authority points out that they have had little need for strategic discussions in monitoring committees in 2007-13, as the programme's implementation phase ran smoothly and the majority of strategic discussions have tended to take place at the beginning of the programme period.

5.3 Simplified and results-oriented financial management

5.3.1 *Simplified costs*

Simplified cost options were introduced during 2007-13, and the Commission is encouraging extended use of these options in future programmes. These options are of **great potential interest to many IQ-Net programme managers**, while **others are waiting for more detail** on future financial management issues and finalised Structural Funds regulations.

Several managing authorities have already introduced new systems for simplified costs during the 2007-13 period (e.g. Austria, Denmark, Finland, Nordrhein-Westfalen, Sachsen-Anhalt). Denmark introduced the flat-rate system for indirect costs, and flat rates were also introduced in Finland in June 2012, followed by lump sums in January 2013. In Finland, stakeholders have welcomed flat rates and other simplified cost options. The only complaints have concerned the inclusion of travel expenses in the costs that flat rates cover. The problem is exacerbated in peripheral areas where distances are long and a somewhat large share of project costs can originate from travel costs. Lump sums have only been used in few projects to date.

Introduction of small-scale lump-sum funding towards project development has also been considered in Denmark, in order to improve the quality of applications. Several Danish regions (e.g. Nordjylland) have introduced this using their own budget for regional development. However, the technical difficulties of transferring this idea to a Structural Funds context seem to be considerable, and it is therefore unlikely to be incorporated in the new programme.

Sachsen-Anhalt also already uses some simplified cost options, notably for incidental expenses (*Nebenkosten*) and expenditure on material (*Sachkosten*). However, the managing authority notes that there are both benefits and disadvantages to this approach. In particular, it feels that this type of approach simplifies administration for the project beneficiary but also generates additional workload in terms of financial control at the level of the programmes. The administrative burden that these approaches entail may be lightened in Nordrhein-Westfalen by the changes that are being introduced into the domestic legal framework for the ERDF OP. At present, ERDF funding is channelled through a range of different legal frameworks (*Förderrichtlinien*) for different types of intervention. In 2014-20, however, there will be a single legal framework (*EFRE-Rahmenrichtlinie*) for all interventions in the ERDF OP, which will include various rules and procedures consistent with the Structural Funds approach. This should allow greater use of simplified cost options for all Priority axes of the Nordrhein-Westfalen ERDF OP, e.g. for overheads (*Gemeinkosten*) and staff costs (*Personalkosten*).

In Portugal, simplified costs have mainly been used under the ESF and been limited to professional training courses in private schools. Their use may in future be extended to apprenticeships and active employment policies. However, a lot of work will be required to extend use to these other areas.

Consideration is also being given to extending to some areas of ERDF, but there is tension with public procurement rules. Similarly, in Vlaanderen, unit costs (lump sums), are seen as difficult to apply to ERDF projects and more suitable for ESF programmes. However, the managing authority in Vlaanderen does intend to implement some of the simplified cost measures, and is looking to implement an hourly rate for project beneficiaries in relation to staff costs in order to simplify the way in which staff contributions are calculated.

Several programme managers are planning to actively make use of simplified cost options in the future (e.g. Austria, Finland, Greece). For instance, Finland plans to extend the use of simplified cost options in 2014-20, and the use of flat rates and lump sums will be mainstreamed; projects will be obliged to give an explanation to the managing authority if it chooses not to use them.

Other IQ-Net programme managers are **looking further into the options** before proceeding (France, Scotland, Wales). In France, a study on the use of flat rates is still underway at national level. At the end of 2012, DATAR had presented a method for calculating flat-rate costs to the Commission based on seven programmes, with the intention to extend it to all programmes based on extrapolation. The Commission has validated the method for five programmes, but considers that it cannot be used for others due to differences in the levels of indirect costs. DATAR is therefore concerned that the complexity of the approach will make it difficult to agree on a method which can be applied to the new programmes from the start of 2014. In Wales, one of the groups taking forward development of the new programmes is looking at simplified cost options such as flat rates, while the managing authority in Scotland is funding a project investigating simplified costs under Technical Assistance, which will: establish a range of simplified costs models for the 2014-20 programmes; test the models in line with Scottish Government compliance and audit requirements before presenting their recommendations to the Commission for approval; establish a lessons-learned review of simplified cost models used in the current programmes (including a review of unit costs used in other United Kingdom regions); establish delivery arrangements for the simplified cost models; and establish guidance and a management structure for the models identified.

5.3.2 Joint Action Plans

Combining performance and simplification aims, the new regulations will provide for the introduction of Joint Action Plans (JAPs) for ERDF, ESF and the Cohesion Fund. These consist of a group of projects as part of an OP, where financial management is simplified and directly linked to agreed outputs, milestones and result indicators. In theory, **JAPs are of interest to a small number of programme managers** (e.g. Greece, Niederösterreich, Slovenia), but so far only Slovenia plans to encourage their introduction in the expectation that their strong performance orientation will help to move the focus away from implementation procedures to effects. In the Czech Republic, a decision about their use is still pending.

The use of JAPs is generally seen as **potentially more useful in an ESF context** (e.g. Austria, France, Greece, Vlaanderen) than for ERDF. In Greece, JAPs could be set up in the field of social policy, not necessarily linked to spatial priorities. According to Vlaanderen, the project portfolio in ERDF programmes is too heterogeneous to make the use of JAPs feasible. The ESF instead allows for an easier application of standard costs. The VDAB (Flemish Service for Employment) and the ESF managers have looked at ways to establish a JAP, as the VDAB is a regular beneficiary of ESF funding, but it has proved difficult to commit to such a plan.

Nevertheless, most IQ-Net programme authorities will not make use of JAPs (Bizkaia, Denmark, England, Finland, France ERDF, Niederösterreich, Nordrhein-Westfalen ERDF, Sachsen-Anhalt, Steiermark, Śląskie ERDF & ESF, Vlaanderen, Wales). The main reasons are the **expected complex administrative procedures** (e.g. England, Niederösterreich), which are not seen to bring any visible additional benefit (Sachsen-Anhalt). For Vlaanderen, there are accountability issues to consider, as one Fund would be accountable for the results of projects implemented under other programmes.

6. CONCLUSIONS

With the European Council Agreement on the 2014-20 Multiannual Financial Framework in February 2013 and the launch of inter-institutional negotiations with the European Parliament on the budget and regulatory framework for Cohesion policy, attention is now firmly focused on strategic planning for European Structural and Investment Funds in 2014-20. In the Member States, national and regional authorities have been developing their new Partnership Agreements (PAs) and Operational Programmes (OPs) and in some cases discussing draft versions with the European Commission. On the basis of the information available in April/May 2013, the aim of this paper is to undertake a preliminary assessment of the preparation, content and delivery implications of the PAs and OPs for 2014-20.

The development and drafting of the PAs has progressed considerably by the end of the first quarter of 2013, although complete drafts are only available in a limited number of countries. The Commission expects informal submission of complete PAs before the summer and formal submission during September 2013. It is not clear whether these targets will be achieved, especially in the absence of an agreement on the EU Budget and because the regulatory package is unlikely to be approved till October 2013. As a consequence, most IQ-Net countries have not yet made formal decisions on the financial allocations to programmes, the division of funding across Funds, or on allocations to spending priorities.

Despite the regulatory and financial uncertainty, the PAs are perceived to be supporting the strategic alignment of the ESI Funds with Europe 2020 themes, although the main drivers are the regulatory obligations on thematic concentration and ring-fencing; and are encouraging a more coordinated approach to programming involving all of the ESI Funds, notwithstanding the specificities of the different Funds objectives and governance arrangements. Radical changes in the programme architecture are expected in several Member States involving a considerable reduction in the number of programmes (notably where regional programmes are being replaced with national programmes) and the use of multi-fund programmes in accordance with the new options available for 2014-20. However, experiences with multi-fund programming in the 1990s and 2000s were not always positive as the programmes were complex and difficult to manage, and it remains to be seen how such challenges will be addressed in these countries.

An important development since the end of 2012 is the launch of the informal dialogue between the Member States and the Commission, kick-started by the publication of Commission Position Papers on the future Partnership Agreements and programmes, subsequent bilateral meetings, and multi-lateral meetings on EU guidance documents. While the Position Papers have helped to provide more clarity on the European Commission's position and supported the process of domestic debate and programming, there have been procedural and content disagreements. Procedurally, the legal status of the Position Papers has been questioned, with several Member States arguing that they should only represent 'soft guidance' rather than binding reference documents or recommendations. On content, country-specific concerns have centred on the Commission's diagnosis of development challenges, the treatment of the territorial dimension, the proposed thematic concentration and various governance recommendations which are seen to intrude into domestic competences. Another concern is that a formalistic and rigid approach to drafting and presenting the PA is being encouraged through the template model issued by the Commission, which hinders the ability to present a narrative of the strategy.

The drafting of the OPs is at different stages across IQ-Net countries and regions. Some countries do not yet have drafts of programmes, the focus till now being on the Partnership Agreements. The socio-economic analysis and SWOT analysis seem to be well advanced in many cases although progress with strategic priorities and indicators is more variable. Again, the lack of agreement on the MFF and Cohesion policy regulations is partly to blame, although there are also domestic strategies that need to be finalised (notably relating to smart specialisation) to inform the programmes and comply with ex-ante conditionality requirements. As a result, the adoption of the new round of programmes by the Commission is likely to be even more delayed than in the previous period. This could have important consequences for the operation of regional development policies across the EU, particularly in countries and regions receiving substantial amounts of EU funding and facing strong public investment constraints.

In formulating the next generation of programmes, the Commission is requiring a stronger emphasis on the intervention logic of programmes, indicators and target-setting, particularly thorough the recently issued OP template model. The clarity of objectives appears to be given more serious attention by IQ-Net authorities than in previous periods although there are mixed views about the impact on the approach to programming and substantive content of programmes. What is clear is that the role and importance of indicators and targets will rise in 2014-20 across all EU countries and regions, particularly given the financial implications of the new performance reserve. This is reflected in the increased attention given to indicators in the preparatory work rather than as an after-thought in the final stages of programming, although none of programme authorities surveyed had set targets at this stage.

Closely associated with the results agenda, the programmes are required to concentrate the majority of funding on a limited number of thematic objectives relating to Europe 2020. For many IQ-Net countries and regions, this is not perceived to pose a challenge, particularly where funding is already concentrated on similar themes or where funding allocations are relatively low. However, various IQ-Net programme authorities are planning substantial shifts in spending towards R&I, SME competitiveness and especially the low-carbon economy objective or to new types of interventions within these objectives. In some cases, this is likely to lead to important changes in the profile of beneficiaries and potentially to challenges for these beneficiaries in adapting to the EU's administrative obligations.

Changes and adaptation to programme management and implementation structures will be needed across all EU countries to deal with new regulatory obligations. Major changes in the allocation of Cohesion policy competences across different levels of governance – involving either centralisation or decentralisation – are only expected in a small number of cases in response to shifts in the policy architecture and territorial governance. A more common trend across IQ-Net countries and regions is a rationalisation in the number of intermediate and implementing bodies, although so far there is no indication of substantial changes to contractual relations with these bodies with respect to performance. This may, however change, once the drafting of programmes is finalised and the new performance frameworks, indicators and targets are set.

ANNEX 1: PROGRESS WITH DEVELOPING THE PARTNERSHIP AGREEMENTS IN IQ-NET COUNTRIES

Austria. The preparation process of the Austrian PA has been launched in April 2012 at the first STRAT.AT 2020 forum. A so-called 'expert paper' was presented in July 2012 and a public consultation ran until September 2012. Between November 2012 and February 2013 15 thematic 'focus groups' involving a wide range of actors looked at specific themes ranging from RTDI to poverty and the urban dimension. By April 2013, a first internal draft had been prepared by the external consultants for the project group only. A first public draft was presented at a STRAT.AT 2020 forum on 18 June 2013. This also marked the launch of a second public online consultation running until 31 July 2013. The event was initially planned for March, but was postponed to June the need to address new EU guidance on the main elements of the Partnership Contract. The finalisation and submission of the PA to the Commission is planned for autumn.

Belgium. Brussels leads the process and is responsible for coordination with Vlaanderen and Wallonia. Initially it had been hoped to finalise the PA by June 2013. This will not be feasible, mainly because of delays in the EU budget agreement upon which key financial decisions depend. There is also a need for further development of the operation programmes and some outstanding ESF issues to resolve. The aim is to finalise the draft Partnership Agreement towards the end of 2013. Agreements have been made with Brussels for Vlaanderen to deliver part of its contributions in stages. The first contributions will be made towards the end of May 2013 and then a second contribution is planned for September 2013. The whole document is planned to be finalised in October and submitted to the Commission in November 2013.

Czech Republic. The PA is being coordinated by the Ministry of Regional Development. A range of working groups, seminars and conferences, focus groups and round tables with relevant stakeholders were organised to inform the preparation throughout 2012. The analytical part of the Partnership Agreement is drafted in detail and the other parts that do not depend on inputs from Operational Programmes or on political decisions (e.g. on financial allocation on particular programmes) are being developed. The aim is to submit the final version of the PA to the Commission after the summer.

Denmark. The drafting of the Partnership Agreement by the DBA in collaboration with the Agriculture and Fisheries Agency (DAFA) is well under way and formal submission to the Commission is expected to take place before the summer. Parts of the PA were discussed in an inter-ministerial advisory group, and DBA is having meetings both at the political and administrative level in the six Danish regions in order to stimulate dialogue and understanding for need to focus Structural Funds activities even more in the coming period.

Finland. The Ministry of Employment and the Economy and the Ministry of Agriculture and Forestry have been developing the Finnish Partnership Agreement and have held regular meetings. A first draft was ready in April 2013 and government approval is expected in June/July 2013, following a meeting of the Ministerial Working Group on Public Administration and Regional Development to decide on the breakdown of programme allocations by thematic Priorities and between regional plans and national themes. The aim is to submit the document and the operational programme to the Commission in one block in August 2013. There is some uncertainty over timing in Finland due to delays in agreeing the EAFRD and EMFF budgets at EU level.

France. The focus has been on informal preparatory work and consultation. On-going discussions about political decentralisation (Bills were presented in April 2013) have delayed decisions on allocating management responsibilities (to 10 April 2013). Building on the work of an inter-ministerial workgroup, a consultation was launched by DATAR in December 2012 targeted at 350 selected actors and bodies. The output was presented and discussed in seminars over the March-April 2013 period, followed by a public consultation which is expected to conclude in mid-June 2013. This will enable the distribution of the first draft of the PA by a ministerial committee to members of the 'National body for the preparation of the Partnership' comprising key Structural Funds' stakeholders. The results of the consultation process will be presented at a conference in July 2013, and the PA will be drafted during the second semester together with the regional managing authorities.

Germany. The Federal Ministry for the Economy and Innovation (BMWi) is responsible for coordinating PA preparations. Much of the content will be constructed from the bottom-up based on 50 programmes. Regular meetings are being held at various levels: Group of Ministers for the Economy or the Group of *Land* Presidents; operational meetings bringing together senior staff from the BMWI, other relevant federal ministries and the *Land*-level managing authorities; and focus groups set up around the key priority axes that most *Länder* wish to fund; and *ad hoc* operational-level meetings between BMWI staff and other individual authorities on specific issues. A stronger effort has been made to involve a broader range of partners in the programming workshops and *ad hoc* meetings which has proved to be very positive and constructive for improving and drafting the strategy. The BMWI has a draft of the PA, which includes a broad strategy covering all Funds. Preparations are progressing well within given EU-level delays on the budget and also to an extent domestically. The Bund's aim is to have a full draft of all the OPs and the PA by the end of June 2013, and to submit this to the Commission then.

Greece. The process was launched by the Ministry of Development Competitiveness, Infrastructure, Transport and Networks in the latter half of 2012, notably a request to line ministries and regions for proposals on the new strategy which were received in October 2012. A special Cabinet meeting in February 2013 decided on organisational/coordination issues and set a timetable. This was followed by a national conference in April 2013 to present the key strategic guidelines for the National Development Strategy and the objectives and priorities of the PA, involving participation and contributions from a range of national and regional partners. Instructions for the submission of regional/sectoral strategies were made in April and a range of regional conferences and sectoral workshops were held to gather inputs, including specific workshops in each region on the Regional Innovation Strategies (RIS3). The call for tender for the ex-ante evaluation was also launched in April to support the drafting of the PA which will officially begin in June and involve informal consultation with the Commission. The final submission of the PA is expected in September-October 2013, followed by the OPs in December 2013.

Poland. The drafting and coordination of the PA has been led by the Ministry of Regional Development involving collaboration and consultation with a wide range of national and sub-national Ministries and stakeholders. The key principles and programme architecture were decided in January 2013. Between February-September 2013, the ex-ante evaluation will be finalised along with the Strategic Environmental Assessment and public consultations, paving the way for formal submission of the PA to the Commission in November 2013. The Śląskie region's involvement has been mainly through a series of consultations and the identification of key projects to include in the PA (particularly in the area of road infrastructure, based on strict selection criteria set at national level).

Portugal. The preparatory work for the PA has advanced considerably over the last six months, although a draft PA is not currently available. The process was launched formally in November 2012 through a government resolution setting out the main objectives, principles and organisational arrangements for designing the PA and OPs. Informal and formal discussions and work continued in national working groups and committees, based on internal documents assessing key themes, funding priorities, objectives, coordination arrangements and ex-ante conditionality. Following a Ministerial restructuring and the creation of a new Ministry for Regional Development, a second government resolution in mid-May 2013 set out the key PA principles, thematic and cross-cutting objectives, and programme architecture. This has provided a firm basis for the development of the PA and OPs, the associated ex-ante evaluations and a more structured public debate with key stakeholders and civil society. The final draft of the PA should be submitted to the Commission in the latter half of 2013.

Slovenia. The Ministry of Economic Development and Technology formally launched the PA development process at the end of June 2012. An online public consultation was launched in September. A number of working groups fed into the PA drafting process in three phases; in the third and final phase, which ran until January 2013, a working group prepared a macroeconomic and SWOT analysis and defined the public financial framework up to 2020, feeding into a second draft PA. The first informal version of the PA will be submitted to the Commission by the end of June 2013, after which a public consultation will be launched. In parallel, the ex-ante evaluation will start, covering the OP but not the PA.

Spain. The focus has been on preparatory work. To support the preparation of the PA, a public consultation was launched to gather the views of partners/stakeholders on key challenges, thematic objectives and horizontal principles. The national authorities have had meetings with the regions and key stakeholders, including working groups with the economic and social partners and the most representative NGOs. The main areas that have been progressed in the drafting of the PA are the structure and sections on socio-economic analysis, strategic objectives, core indicators, and some governance elements, partnership ex-ante conditionality. An agreement has been reached with the Institute of Fiscal Studies to do the ex-ante evaluation of the PA. The key issue holding back progress in the drafting of the PA and OPs is that the regulations or MFF have not been approved, which holds back decisions on the programme architecture and financial allocations to themes.

United Kingdom. The PA will be an overarching document with a separate chapter for England and the devolved administrations of Scotland, Wales and Northern Ireland. The United Kingdom document will be finalised in October 2013 and a draft will then be worked on with the Commission in November/December to be submitted at the end of 2013. Ex-ante evaluations of the United Kingdom PA and the different chapters have been commissioned and are underway. The English chapter will now reflect a new LEP (Local Enterprise Partnership) locally-driven model. The LEP plans are being developed between April and September 2013. Some work has already been carried out developing content for the thematic objectives and areas of likely activity. A series of cross-government groups are working as a network on the process of developing the English chapter comprising all relevant partners, and a national group (CSF England) brings together all the lead departments. In Scotland, the managing authority has been working on the Scottish chapter with stakeholders, rural and fisheries policy colleagues as well as colleagues from audit and finance departments of the Scottish Government. This work has been carried out in several groups around thematic objectives and meetings with the Commission have also been held. In Wales, the managing authority (WEFO)

started developing the OPs before the Welsh chapter of the PA, following a reflections exercise. The PA chapter is currently being developed based on consultation documents and an independent review of future implementation arrangements.

ANNEX 2: FINANCIAL ALLOCATIONS IN AUSTRIA, GERMANY, POLAND AND THE UNITED KINGDOM

Austria

In Austria, the criteria for the distribution are currently under discussion but the goal is to distribute the expected loss of funding for Austria fairly amongst the *Länder* and to incorporate compensation mechanisms/safety nets. There have already been meetings between experts from the *Länder* and some thinking has been done about defining a minimum allocation per *Land* in order to create the necessary critical mass to allow for effective use of the Funds. A likely option is to increase the funding for *Länder* with smaller shares relative to larger ones. This would affect Niederösterreich and Steiermark, which are currently implementing the largest ERDF programmes under the RCE Objective. However, final decisions will depend on whether the Commission will make proposals for the distribution of funding within Member States as was the case for the 2007-13 programme period. More generally, there are concerns about a shift in the equity goals of Cohesion policy towards competitiveness goals, which may mean that GDP per capita criteria take on less importance when allocation of funds are decided.

Germany

In Germany, domestic discussions are underway aimed at reaching consensus among all *Länder* and the federal authorities on the distribution of funding. It has been decided in the domestic Group of Ministers for the Economy (*Ministerkonferenz*) that, in principle, there should be a safety net for each *Land* which would limit the possible reduction in funding in 2014-20 compared to 2007-13, with different thresholds being set for the current Convergence / Phasing-out *Länder* and the current RCE / Phasing-in *Länder*. The Group of Ministers for the Economy is also engaging in separate discussions on the domestic methods to be used for allocating funds between the two groups of *Länder*. In the case of the current RCE regions, a broad agreement on the methodology for allocating funds between ERDF programmes was reached in December 2012 by the Group of Economy Ministers in the western *Länder*. The method is based largely on the Commission indicators, but with a slightly different weighting, i.e. it has an even stronger emphasis on population. The Group experimented with a number of different scenarios, one of which was the GRW (Regional Joint Task) model that favours structurally weaker regions; however, as the ERDF is no longer formally a redistributive instrument (*Ausgleichsinstrument*) from an EU perspective, the Group rejected this approach in favour of the Commission approach in broad terms.

Poland

In Poland, the allocation of funds among regions will be mainly based on the EU-level methodology according to Ministry of Regional Development plans published in March 2013. The table below provides an indication of the potential amounts to be allocated to regional programmes in Poland. The overall ROP allocation is likely to be increased following negotiations between the regions and central government on the disbursement of a national programming reserve and the content of new territorial contracts that will identify interventions of regional significance to be funded from the national level programmes.

Indicative allocations among ROPs (ERDF, ESF) 2014-20

Voivodeship	Allocation (€1,000)
Mazowieckie	1,924
Śląskie	3,012
Wielkopolskie	2,197
Małopolskie	2,580
Dolnośląskie	2,019
Łódzkie	1,918
Pomorskie	1,672
Lubelskie	2,000
Podkarpackie	1,895
Kujawsko-Pomorskie	1,707
Zachodniopomorskie	1,436
Warmińsko-Mazurskie	1,549
Świętokrzyskie	1,223
Podlaskie	1,088
Lubuskie	813
Opolskie	847

Source: Ministerstwo Rozwoju Regionalnego (2013) Programowanie perspektywy finansowej 2014 -2020 - Umowa Partnerstwa – (wstępny projekt), June 2013 [Programming perspective 2014-2020 – Partnership Agreement – (draft version), June 2013]

United Kingdom

The indicative breakdown of future ESI funding between constituent parts of the United Kingdom was announced by the government in March 2013. According to the press release by the UK Department of Business, Industry and Skills,¹⁰ it was considered that the new EU formula for allocating Structural Funds, agreed by the European Council in February, would not have resulted in a fair distribution across the United Kingdom, and would have resulted in ‘sudden and significant cutbacks in Northern Ireland, Scotland and Wales’. To address this, the allocations announced were as follows:

- Northern Ireland - a total allocation of around €457 million, an uplift of €181 million compared to the amount that Northern Ireland would receive under the EU formula for allocation of the Funds to the United Kingdom.
- Scotland - total funding of around €795 million, representing an uplift of €228 million compared to the amount that Scotland would receive under the EU formula for allocation of the Funds to the United Kingdom.
- Wales - total allocation of around €2.145 billion. This represents an uplift of €375 million compared to the amount that Wales would receive under the EU formula for allocation of the Funds to the United Kingdom.

¹⁰ BIS (2013) *Allocation of EU structural funding across the UK*, Press release, 26 March 2013, Department for Business, Innovation & Skills, London. Available at: <https://www.gov.uk/government/news/allocation-of-eu-structural-funding-across-the-uk> (accessed 6 June 2013).

- England with a total allocation of €6.174 billion. Potentially, each of the 39 LEP areas will get an allocation, made up of a composite of different Structural Funds. Breakdown of allocations across Local Enterprise Partnership (LEP) areas have not yet been announced. The methodology for this has not yet been determined, but is likely to include an element of safeguarding vis-a-vis current allocations, needs-based criteria and criteria geared to ensuring the thematic objectives can be actioned. The transition region allocations within England will also be a factor which helps pre-determine local allocations.

This decision means that each DA is only subject to an equal percentage cut of around five percent in funding compared to 2007-13 levels. Funding for the ETC objective and the Youth Employment Initiative will be subject to a separate process. Allocations within the separate nations have not yet been decided. For example, it is not yet clear whether all the SIFs in England will be allocated to local level; the majority is expected to be but there may be one or two policy areas that could work better at national level, for example FIs, where larger scale could be used to bring in partners such as the EIB and minimise costs. Final allocations will be subject to the agreement on the EU regulations and the ongoing negotiation of the 2014-20 EU Budget as well as agreement with the Commission.

ANNEX 3: STATE-OF-PLAY WITH OPERATIONAL PROGRAMMES IN IQ-NET COUNTRIES

Austria. The approval of the Austrian ERDF OP is envisaged for autumn. A number of *Länder* (Burgenland, Tirol, Vorarlberg) are looking at governmental approval for their *Land*-level parts already in the summer of 2013. In Niederösterreich, there have working groups and workshops and a first draft has been prepared in May, which kicked off a series of consultation events with social partners. The drafting process involves the managing authority and intermediate bodies and is supported by consultants. There are on-going discussions about streamlining and the inclusion of certain small-scale measures. In Steiermark, preparations for 2014-20 started with the preparation of a programme complement, which sets out practical implementation procedures, before the actual programme. The strategic directions of the Styrian part of the programme will follow a strategic document approved by the *Land* Government in October 2012, which sets out priorities for 2014-20. Consultation with social partners began in May and the ex-ante evaluator was selected in May 2013.

Belgium - Vlaanderen. The Operational Programme is drafted by different workgroups which are also involved in the development of the Partnership Agreement. The whole process is led by the Cabinet of the Prime Minister who has responsibility over European affairs. The OP SWOT analysis has been completed, focusing on three key challenges/strategic priorities relating to Europe 2020: innovation, SME development and low carbon economy. The urban dimension has also been developed, although this may have to be revised if it is decided that the ITI instrument will be used. The ex-ante evaluation has been launched providing recommendations and advice on the whole programming process but also particularly in relation to indicators. Their main recommendation until now has been to even more precisely formulate what the Programme aims to achieve. This is expected to assist in establishing good indicators. Consultation has taken the form of formal and informal contacts with many of the beneficiaries and key stakeholders. Once a draft programme is available, a formal consultation process will be launched.

Czech Republic. The National Coordination Authority at the MRD has received the first drafts of Operational Programmes in the first quarter of 2013, prepared by respective managing authorities. The OPs' drafts are well elaborated in terms of strategy development and intervention logic and indicators, although base lines or targets have been set yet (as financial allocations are unknown). Consultations of OPs' drafts with partners have been very intense as well as with relevant experts. Discussions with the public are currently planned within SEA procedures. The launch of programme ex-ante evaluations is underway although not all evaluators have been selected.

Denmark. The writing of programmes has progressed further than the Partnership Agreement, partly mainly because the programmes have to go through a statutory 8-week period of public consultation. It is the ambition of DBA and DAFA that the consultation phase should end before the summer, which implies that the programmes should be ready for public scrutiny no later than the first half of May 2013. At the time of the interview, the only outstanding issue was the allocation of funding for urban development projects, notably whether this will be programmed as a separate priority with project proposals to be decided on by a national committee or through the usual regionalised structure of the Regional Growth Fora.

Finland. Preparations began relatively early. The Ministerial Group on Administration and Regional Development outlined key principles and issues (such as programme structure and regions,

intermediary organisations and role of Regional Management Committees) in March 2012, followed by thematic objectives in September 2012. Final drafts of regional plans and national themes were finalised in the end of January 2013, which fed into the first draft of the operational programme in March 2013. Further important steps to be undertaken in preparation for the Finnish Structural Funds programme in 2014-20 include deciding on the role of regional plans and national themes in the operational programme and funding allocations between the regions and the national themes and regions (planned to be decided in May 2013). The aim is to submit the Operational Programme to the Commission in September/October 2013.

France. In the second half of 2012, the current Managing Authorities (i.e. regional State administrations) drew up analyses of the main challenges and strategic orientations. There were three approaches to leading the programme preparations at regional level: independently led by regional councils (i.e. the future managing authorities); a partnership between the State representatives/prefectures (i.e. the current managing authorities) and the regional council, until the decision on the programme management was official; or led by the prefecture's administration (SGAR) while regional councils waited for the official decision on management competences. The official decision on the management functions launched the official drafting process, as well as the recruitment of staff and setting up of appraisal, control and certifying services. Some regions opened consultations, set up working groups in partnership between the regional council and the State administration and launched ex-ante evaluations. The regions have also been working on developing their smart specialisation strategies, which should feed into the relevant OPs priorities between June and October 2013. Discussions are also being held on the balance between national and regional interventions within the programmes. The key OP sections on the strategy and financial tables should be ready by October, although there is some flexibility to submit the OPs by the end of 2013.

Germany - Nordrhein-Westfalen. Preparations for the Nordrhein-Westfalen ERDF OP for 2014-20 are being led by the ERDF managing authority. On 27 March 2012, the Nordrhein-Westfalen *Land* government cabinet agreed a shared framework for the future programmes, setting out core themes, in line with EU proposals. On the basis of this agreement, the managing authority developed a Key Issues Paper setting out the key themes and issues for discussion relating to the future ERDF OP. An extensive consultation was undertaken with partners on this document during 2012, and then a further strategic paper was presented to the *Land* cabinet at the end of 2012. There are on-going discussions over the priority axes to be included in the 2014-20 ERDF OP, particularly whether to include a fifth priority axis on environmental issues. Workshops have been organised on three priority axis themes in April/May 2013 with the relevant units in all the *Land* ministries. The managing authority is using the outcomes of the workshops to develop a first draft of the OP. Parts of the ex-ante evaluation for the Nordrhein-Westfalen ERDF OP have already been completed, namely the socio-economic analysis and the SWOT analysis.

Germany - Sachsen-Anhalt. The ERDF/ESF managing authority is leading on the preparation of the ERDF, ESF and EAFRD OPs (although there will remain a separate managing authority for the EAFRD in 2014-20). This differs from 2007-13 when the *Land* State Chancellery led on the preparation of the three programmes. A strategic document for all three Funds (ERDF, ESF and EAFRD) was agreed in February 2013, which forms the basis for the OPs and includes the proposed percentage of funds to be allocated to each theme. A joint ex-ante evaluation of the ERDF, ESF and EAFRD programmes for 2014-20 has since been commissioned and parts have been published. The Managing Authority has consulted partners directly involved in the programmes and used these views

as inputs to the abovementioned strategic paper. Since February 2013, regular meetings have been held to discuss the strategic paper with the *Land* Ministries and socio-economic partners. There are also on-going discussions in existing committees and working groups and regular presentations on programme preparations to the Land parliament. Consultation with the wider public began in late 2012 through a series of thematic events. The aim of *Land* Sachsen-Anhalt is to ensure that the ERDF/ESF/EAFRD programmes are approved by the Commission by the end of 2013 or the beginning of 2014. This requires first drafts of the OPs before the summer break of 2013 and the presentation of the draft OPs to the *Land* cabinet in May 2013.

Greece. The national authorities have not started drafting the Operational Programmes as the architecture is not yet known. However, the strategy of all programmes should contribute to the five Key Development Strategic Priorities identified for the National Development Strategy.

Poland - Śląskie: The current version of the ROP is the third draft. It was approved by the regional government Board on 16 April 2013. It is subject to consultation with regional partners. It will then be sent to the Ministry of Regional Development for review before work is done in the second half of the year on the final version, with a deadline for finalisation of December 2013. One problem is that the Regional Development Strategy is still being prepared. It is planned to be approved in the second half of 2013. Work on the strategic dimensions of the ROP will be informed by the Regional Development Strategy. Śląskie is currently examining three tenders for ex-ante evaluation of the ROP. According to the schedule, the draft of the evaluation report will be introduced on 2 September 2013 and the final report on 7 October 2013. Additionally, evaluators will be obliged to update the report if there is a requirement to carry out extra analysis.

Portugal. OP drafting is at an early stage. National and regional authorities are mainly working on the underpinning sectoral and territorial strategies and on a swot analysis for each region. Regional smart specialisation strategies are also being prepared including national-regional links. This strategic work will feed into NOP and ROPs. Ex-ante evaluations will be done at both PA and OP level. The recent government approval of the PA principles (including the programme architecture) in May 2013, has provided the basis for advancing OP programming and the ex-ante evaluations. It is likely that draft programmes will be ready towards the end of 2013.

Slovenia. After the priority axes and the investment priorities are selected and main activities are agreed upon, the narrowing down and fine tuning will be done. For the ex-ante evaluation: the selection of the contractor is under the process. Debate about the main development documents has started in autumn 2012 including an online questionnaire. In February, the series of six public consultation events was launched, where stakeholders are invited to give their opinion on the prepared drafts of the main strategic document which will be basis for the preparing operational programme. When the first draft of the OP is prepared, it will be publicly available for the further comments. Also, two informal working groups, one with the representatives of the social partners and the other one with the representatives of the NGOs were formed. Some meetings were already held and further consultation with the groups is planned in the next programming steps. The last event was held on 15 May 2013, the topic was the Legal state and efficient public administration. The structure of the events is the same for each and includes plenary presentations and workshops. The first draft of the document will be available in the summer and there will be a public consultation, which will run for at least three weeks.

Spain. The Spanish OPs are at an early stage owing to delays in EU agreements on the budget and regulatory package and, associated with this, because a draft of the PA is not yet ready, which provides the key strategic reference document for the OPs. Nevertheless, the regions are engaged in preparatory work, the development of domestic strategies and are in regular contact with the national PA coordination actors and European Commission officials. National Ministries and bodies that are likely to contribute to the national OPs have also been consulted on future interventions. Many regions have launched calls for external support in the drafting of the OPs and the ex-ante evaluations. For instance, País Vasco put out a tender in March 2013. This specifies a deadline of 30 December 2013 for the final draft of the OP. Although the Bizkaia intermediate body has not begun formal preparations - because instructions have not yet been received from the regional government - no difficulties are expected in presenting interventions that will contribute to the programme's objectives.

United Kingdom. The drafting of the ERDF programmes in England is at an early stage, mainly because it has been agreed that they will be more locally-driven. The Local Enterprise Partnership (LEP) based model means that the content of LEP plans (currently under preparation) will first be aggregated to the national chapter of the PA, due to be completed in late 2013. The OPs will then be drafted in early 2014, to be submitted by March 2014. Some work is already underway, e.g. on the thematic priorities. The ERDF OP is likely to be drafted in part internally and in part by using external resources. In Scotland, the first steps in establishing the OPs were undertaken in late 2012. A set of three parallel surveys outlined collective priorities for future Structural Funds programmes. A public consultation on the content of the future programmes was launched in May 2013 at a stakeholder event. Work on the OPs will progress over the summer, and will be consulted on in August/September 2013. In Wales, a public consultation process was launched in early 2013, to run until 23 April 2013, inviting comment on the Welsh Government's strategy and Structural Funds priorities for 2014-20. Public events were held in various locations in Wales during February and March 2013. The managing authority plans to seek Government approval of the draft OPs in late September, with a view to submitting them to the Commission in October.



Improving the Quality of Structural Funds Programme Management through Exchange of Experience

IQ-Net is a network of Convergence and Regional Competitiveness programmes actively exchanging experience on practical programming issues. It involves a programme of research and debate on topical themes relating to Structural Funds programme design, management and delivery, culminating in twice-yearly meetings of members. IQ-Net was established in 1996 and has successfully completed four periods of operation: 1996-99, 1999-2002, 2002-07 and 2007-10. The fifth phase was launched on 1 January 2011 (Phase V, 2011-13).

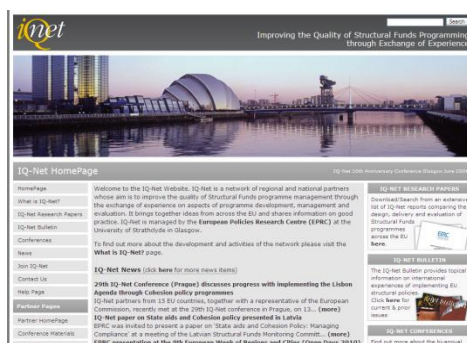
IQ-Net Meetings

33 partners' meetings and a special 10th anniversary conference have been held in 13 European countries during 17 years of operation of the network. Meetings are held at approximately six-month intervals and are open to IQ-Net partners and to observers interested in joining the network. The meetings are designed to facilitate direct exchange of experience on selected issues, through the presentation of briefing papers, plenary discussions, workshop sessions and study visits in the hosting regions.



IQ-Net Website

The IQ-Net Website is the network's main vehicle of communication for partners and the public. The launch of Phase V has been accompanied by an extensive redesign of the site which comprises two sections:



Partner Intranet Pages available exclusively to IQ-Net members.

Public Pages which provide information on the Network's activities and meetings, allow the download of IQ-Net Reports and Bulletins, and provide a news section on issues relevant to the Network.

The Partners' section of the website provides exclusive services to members of the network, including access to all materials prepared for the IQ-Net meetings, a list of EU27 links (programmes, institutions etc.), partners' contact details, a partners' blog and other items of interest.

IQ-Net Reports

The IQ-Net Reports form the basis for the discussions at each IQ-Net meeting. They present applied and practical information in a style accessible to policy-makers, programme executives and

administrators. The reports can be downloaded, at no charge, from the IQ-Net website. To date, 32 thematic papers have been produced on both 'functional issues' (e.g. management arrangements, partnership, information and communication, monitoring systems) and 'thematic issues' (e.g. innovation, enterprise development, tourism). A similar number of papers have also been produced to review developments in the implementation of the Network's partner programmes.

IQ-Net Thematic Papers

- Preparing for 2014-20: Programming, Concentration and Performance
- The Promise and Perils of the Performance Turn in Cohesion Policy
- 'Smart specialisation' and Cohesion policy – A strategy for all regions?
- New financial instruments in Cohesion policy
- Taking stock of programme progress: implementation of the Lisbon Agenda and lessons for Europe 2020
- The Reform of Cohesion Policy after 2013: More Concentration, Greater Performance and Better Governance?
- New Partnership Dynamics in a Changing Cohesion Policy Context
- Pandora's Box and the Delphic Oracle: EU Cohesion Policy and State Aid Compliance
- The Financial Management, Control and Audit of EU Cohesion Policy: Contrasting Views on Challenges, Idiosyncrasies and the Way Ahead
- From Environmental Sustainability to Sustainable Development? Making Concepts Tangible in Structural Funds Programmes
- Making sense of European Cohesion Policy: 2007-13 on-going evaluation and monitoring
- Turning ideas into action: the implementation of 2007-13 programmes
- The New Generation of Operational Programmes, 2007-13
- National Strategic Reference Frameworks and OPs, 2007-13
- Preparations for the Programme Period 2007-13
- Territorial Cohesion and Structural Funds
- Cohesion Policy Funding for Innovation and the Knowledge Economy
- The Added Value of Structural Funds
- Information, Publicity and Communication
- Mid-term Evaluation of the 2000-06 Programmes
- Mainstreaming Horizontal Themes into Structural Fund Programming
- The Structural Funds: Facilitating the Information Society
- Information into Intelligence: Monitoring for Effective Structural Fund Programming
- At the Starting Block: Review of the New Programmes
- Tourism and Structural Funds
- Preparations for the New Programmes
- The New Regulations and Programming
- Strategic Approaches to Regional Innovation
- Effective Responses to Job Creation
- The Evolution of Programmes and Future Prospects
- Equal Opportunities in Structural Fund Programmes
- The Contribution of Meso-Partnerships to Structural Fund Implementation
- Regional Environmental Integration: Changing Perceptions and Practice

- Structural Fund Synergies: ERDF and ESF
- The Interim Evaluation of Programmes
- Monitoring and Evaluation: Principles and Practice
- Generating Good Projects
- RTD and Innovation in Programmes
- Managing the Structural Funds – Institutionalising Good Practice
- Synthesis of Strategies 1994-96

IQ-Net Bulletin

The IQ-Net Bulletin promotes the dissemination of the Network's activities and results. 16 issues have been published to date, over the period from 1996 to 2012. Bulletins are published using a standard format, with each providing summaries of the research undertaken and reports on the discussions which take place at IQ-Net meetings. The Bulletins can be downloaded from the IQ-Net website.



Admission to the IQ-Net Network is open to national and regional Structural Funds managing authorities and programme secretariats. For further information or to express an interest, contact Professor John Bachtler (john.bachtler@strath.ac.uk) or Dr Laura Polverari (laura.polverari@strath.ac.uk).